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असाधारण

EXTRAORDINARY

भाग \mathbf{II} —स $^{oldsymbol{var}}$ \mathbf{z}

PART II-Section 2

प्राधिकार से प्रकारियत

PUBLISHED BY AUTHORITY

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इस भाग में भिन्न पृष्ठ संख्या दी जाती हैं जिससे कि यह अलग संबक्षन के स्व में रखा जा सके।

Separate paging is given to this Part in order that it may be filed as a separate compilation.

LOK SABHA

The following Bill was introduced in Lok Sabha on the 16th March, 1972:—

BILL No. 12 OF 1972

A Bill to give effect to the financial proposals of the Central Government for the financial year 1972-73.

BE it enacted by Parliament in the Twenty-third Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

1. (1) This Act may be called the Finance Act, 1972.

Shert title and

(2) Save as otherwise provided in this Act, sections 2 to 60 shall ment. be deemed to have come into force on the 1st day of April, 1972.

CHAPTER II

RATES OF INCOME-TAX

Income-

- 2. (1) Subject to the provisions of sub-sections (2) and (3), for the assessment year commencing on the 1st day of April, 1972, income-tax shall be charged at the rates specified in Part I of the First Schedule and shall be increased,—
 - (a) in the cases to which Paragraphs A, B and D of that Part apply, by a surcharge for purposes of the Union;
 - (b) in the cases to which Paragraph C of that Part applies, by a surcharge for purposes of the Union and a special surcharge for purposes of the Union; and
 - (c) in the cases to which Paragraphs E and F of that Part apply by a surcharge,

calculated in each case in the manner provided therein.

(2) In making any assessment for the assessment year commencing on the 1st day of April, 1972, where the total income of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956, includes any profits and gains from 31 of 1956. life insurance business, the income-tax payable by it shall be the aggregate of the income-tax calculated-

- (i) on the amount of profits and gains from life insurance business so included, at the rate applicable in the case of the Life Insurance Corporation of India, in accordance with Paragraph E of Part I of the First Schedule, to that part of its total income which consists of profits and gains from life insurance business and
- (ii) on the remaining part of its total income, at the rate applicable to the company on its total income.
- (3) In cases to which Chapter XII or section 164 of the Income-tax Act, 1961 (hereinafter referred to as the Income-tax Act) applies, the 43 of 1961 tax chargeable shall be determined as provided in that Chapter or that section, and with reference to the rates imposed by sub-section (1) or the rates as specified in that Chapter or section, as the case may be.

- (4) In cases in which tax has to be deducted under sections 193, 194, 194A, 194B and 195 of the Income-tax Act at the rates in force, the deduction shall be made at the rates specified in Part II of the First Schedule.
- (5) In cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 of sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from Income chargeable under the head "Salaries" or deducted under sub-section (9) of section 80E of the said Act from any payment referred to in the said sub-section (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the

case may be, "advance tax" shall be so calculated, charged, deducted or computed at the rate or rates specified in Part III of the First Schedule:

Provided that in respect of any income chargeable to tax under section 164 of the Income-tax at the rate of sixty-five per cent., "advance tax" shall be computed at that rate.

- (6) For the purposes of this section and the First Schedule,-
- (a) "company in which the public are substantially interested" means a company which is such a company as is referred to in section 108 of the Income-tax Act;
- (b) "domestic company" means an Indian company, or any other company which, in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 1972, has made the prescribed arrangements for the declaration and payment within India of the dividends (including dividends on preference shares) payable out of such income in accordance with the provisions of section 194 of that Act;
- (c) "industrial company" means a company which is mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining.

Explanation.—For the purposes of this clause, a company shall be deemed to be mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining, if the income attributable to any one or more of the aforesaid activities included in its total income of the previous year (as computed before making any deduction under Chapter VIA of the Income-tax Act) is not less than fifty-one per cent. of such total income;

- (d) "tax free security" means any security of the Central Government issued or declared to be income-tax free, or any secruity of a State Government issued income-tax free, the income-tax whereon is payable by the State Government;
- (e) all other words and expressions used in this section and the First Schedule but not defined in this sub-section and defined in the Income-tax Act shall have the meanings, respectively, assigned to them in that Act.

CHAPTER III

DIRECT TAXES

Income-tax

- 3. In section 2 of the Income-tax Act,-
- (a) in clause (14), for sub-clause (ii), the following sub-clause of shall be substituted with effect from the 1st day of April, 1973, namely:—
 - '(ii) personal effects, that is to say, movable property (including wearing apparel and furniture, but excluding jewellery

Amendment of section 2. held for personal use by the assessee or any member of his family dependent on him.

Explanation.—For the purposes of this sub-clause, "jewellery" includes—

- (a) ornaments made of gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals, whether or not containing any precious or semi-precious stone, and whether or not worked or sewn into any wearing apparel;
- (b) precious or semi-precious stones, whether or not set in any furniture, utensil or other article or worked or sewn into any wearing apparel;;;

(b) in clause (24),—

- (i) after sub-clause (ii), the following sub-clause shall be inserted with effect from the 1st day of April, 1973, namely:—
 - '(iia) voluntary contributions received by a trust created wholly or partly for charitable or religious purposes or by an institution established wholly or partly for such purposes, not being contributions made with a specific direction that they shall form part of the corpus of the trust or institution.

Explanation.—For the purposes of this sub-clause, "trust" includes any other legal obligation;;

- (ii) after sub-clause (viii), the following sub-clause shall be inserted, namely:—
 - "(ix) any winnings from lotteries, crossword puzzles, races including horse races, card games and other games of any sort or from gambling or betting of any form or nature whatsoever;";
- (c) in clause (37A), in sub-clause (ii), for the figures and letter "194A", the figures and letters "194A, 194B" shal be substituted.

Amendment of section 10

- 4. In section 10 of the Income-tax Act,—
- (a) for clause (3), the following clause shall be substituted, namely:—
 - "(3) any receipts which are of a casual and non-recurring nature, not being winnings from lotteries, to the extent such receipts do not exceed one thousand rupees in the aggregate:

Provided that this clause shall not apply to-

- (i) capital gains chargeable under the provisions of section 45; or
- (ii) receipts arising from business or the exercise of a profession or occupation; or
- (iii) receipts by way of addition to the remuneration of an employee;";

- (b) in clause (10), with effect from the 1st day of April, 1973,—
- (i) for the words," a local authority or a corporation established by a Central, State or Provincial Act", the words "or a local authority" shall be substituted;
- (ii) for the portion beginning with the words "or any other gratuity" and ending with the words "whichever is less;", the following shall be substituted, namely: -
- "any other gratuity received by an employee on his retirement or on his becoming incapacitated prior to such retirement or on termination of his employment, or any gratuity received by his which the gratuity is paid, subject to a maximum of twenty-four does not, in either case, exceed one-half month's salary for each year of completed service, calculated on the basis of the average salary for the three years immediately preceding the year in which the gratuity is paid, subject to a maximum of twenty-four thousand rupees or fifteen month's salary so calculated, whichever is less;";
- (c) in clause (25), after sub-clause (iii), the following sub-clause shall be inserted with effect from the 1st day of April, 1973. namely: -
 - "(iv) any income received by the trustees on behalf of an approved gratuity fund;".
- 5. In section 11 of the Income-tax Act, in clause (c) of sub-section (1), Amendfor the words "income from property held under trust", the words ment "income derived from property held under trust" shall be substituted with section 11. effect from the 1st day of April, 1973.
- 6. For section 12 of the Income-tax Act, the following sections shall be substituted with effect from the 1st day of April, 1973, namely:---

Substitution of new sections for section 12.

"12. Any voluntary contributions received by a trust created Income of wholly for charitable or religious purposes or by an institution established wholly for such purposes (not being contributions made tions from with a specific direction that they shall form part of the corpus of the trust or institution) shall for the purposes of section 11 be deemed to be income derived from property held under trust wholly for charitable or religious purposes and the provisions of that section and section 13 shall apply acordingly.

contributions.

12A. The provisions of section 11 and section 12 shall not apply in relation to the income of any trust or institution unless the following conditions are fulfilled, namely:—

Conditions as to registration of trusts. etc.

(a) the person in receipt of the income has made an application for registration of the trust or institution in the prescribed form and in the prescribed manner to the Commissioner before the 1st day of July, 1973, or before the expiry of a period of one year from the date of the creation of the trust or the establishment of the institution, whichever is later:

Provided that the Commisioner may, in his discretion, admit an application for the registration of any trust or institution after the expiry of the period aforesaid;

(b) where the total income of the trust or institution as computed under this Act without giving effect to the provisions of section 11 and section 12 exceeds twenty-five thousand rupees in any previous year, the accounts of the trust or institution for that year have been audited by an accountant as defined in the Explanation below sub-section (2) of section 268 and the person in receipt of the income furnishes along with the return of income for the relevant assessment year the report of such audit in the prescribed form duly signed and verified by such acountant and setting forth such particulars as may be prescribed.".

Amendment of section 13. 7. In section 13 of the Income-tax Act, with effect from the 1st day of April, 1973,—

(a) in sub-section (1),—

- (i) in the opening portion, for the words and figures "Nothing contained in section 11", the words and figures "Nothing contained in section 11 or section 12" shall be substituted;
- (ii) the following Explanation shall be inserted at the end, namely:—

"Explanation.—For the purposes of sub-clause (ii) of clause (c), in determining whether any part of the income of any property of any trust or institution is during the previous year used or applied, directly or indirectly, for the benefit of any person referred to in sub-section (3), in so far as such use or application relates to any period before the 1st day of July, 1972, no regard shall be had to the amendments made to this section by section 7 of the Finance Act, 1972."

- (b) in sub-section (2), for clause (g), the following clause shall be substituted, namely:—
 - "(g) if any income or property of the trust or institution is diverted during the previous year in favour of any person referred to in sub-section (3):

Provided that this clause shall not apply where the income, or the value of the property or, as the case may be, the aggregate of the income and the value of the property, so diverted does not exceed one thousand rupees;";

(c) in sub-section (3),---

- (i) after clause (c), the following clause shall be inserted, namely:—
 - "(cc) any trustee of the trust or manager (by whatever name called) of the institution";

- (ii) in clause (d), for the words "or member", the words "member, trustee or manager" shall be substituted;
- (iii) in clause (e), for the brackets and letter "(c)", the brackets and letters "(c), (cc)" shall be substituted;
- (d) in sub-section (4), for the word and figures "section 11", the words and figures "section 11 or section 12" shall be substituted;
- (e) for Explanation 1, the following Explanation shall be substituted, namely: -

'Explanation 1.—For the purposes of sections 11, 12, 12A and this section, "trust" includes any other legal obligation and for the purposes of this section "relative", in relation to an individual, means-

- (i) spouse of the individual;
- (ii) brother or sister of the individual;
- (iii) brother or sister of the spouse of the individual;
- (iv) any lineal ascendant or descendant of the individual;
- (v) any lineal ascendant or descendant of the spouse of the individual;
- (vi) spouse of a person referred to in sub-clause (ii), sub-clause (iii), sub-clause (iv) or sub-clause (v);
- (vii) any lineal descendant of a brother or sister of either the individual or of the spouse of the individual.'.
- 8. In section 45 of the Income-tax Act, for the words, figures and letter Amend-"sections 53, 54 and 54B", the words, figures and letters "sections 53, 54, 54B and 54C" shall be substituted with effect from the 1st day of April, 1973.

9. In the Income-tax Act, after section 54B, the following section shall Insertion be inserted with effect from the 1st day of April, 1973, namely: -

section

'54C. Where the capital gain arises from the transfer of a capital Capital asset, being jewellery held for personal use by the assessee of any member of his family dependent on him, and the assessee has, within a period of six months after such transfer, acquired any other jewellery for personal use by the assessee or any member of his family dependent on him, the capital gain shall be dealt with in be charge accordance with the following provisions of this section, that is to cases. say,--

gain on transfer of

(i) if the cost of the jewellery so acquired is not less than the full value of the consideration received or accruing in respect of the transferred jewellery, the whole of such capital gain shall not be charged under section 45; or

(ii) if the cost of the jewellery so acquired is less than the full value of the consideration received or accruing in respect of the transferred jewellery, so much of the capital gain as bears to the whole of the capital gain the same proportion as the cost of the jewellery so acquired bears to the full value of the consideration received or accruing in respect of the transferred jewellery shall not be charged under section 45.

Explanation.—For the purposes of this section, "jewellery" shall have the meaning as is assigned to it in the Explanation to sub-clause (ii) of clause (14) of section 2.'.

Amendment of section 56.

- 10. In section 56 of the Income-tax Act, in sub-section (2), after clause (ia), the following clause shall be inserted, namely:—
 - "(ib) income referred to in sub-clause (ix) of clause (24) of section 2;".

Insertion of new section 74A.
Losses from certain specified sources under the head "Income from other sources".

- 11. In the Income-tax Act, after section 74, the following section shall be inserted, namely:—
 - "74A. (1) Where the net result of the computation made for any assessment year in respect of any source falling under the head "Income from other sources" and being a source specified in subsection (2), is a loss, such loss shall not be set off except against income, if any, from the same source.
 - (2) The sources referred to in sub-section (1) are—
 - (a) lotteries
 - (b) crossword puzzles;
 - (c) races including horse races;
 - (d) card games;
 - (e) other games of any sort;
 - (f) gambling or betting of any form or nature whatsoever not falling under any of the foregoing clauses.'.

Amendment of section 75. 12. In section 75 of the Income-tax Act, in sub-section (1), for the figures and word "73 and 74", the figures, word and letter "73, 74 and 74A" shall be substituted.

Amendment of section 77. 13. In section 77 of the Income-tax Act, in clause (a) of sub-section (2), for the words, brackets and figures "or sub-section (1) of section 73", the words, brackets, figures and letter, "sub-section (1) of section 73 or section 74A" shall be substituted.

Amendment of section 80A.

- 14. In section 80A of the Income-tax Act,-
- (a) in sub-section (1), for the figures and letter "80U", the figures and letter "80V" shall be substituted;
- (b) in sub-section (3), for the word, figures and letter "section 80T,", the words, figures and letters "section 80T or section 80V," shall be substituted.

- 15. In section 80B of the Income-tax Act, clause (7) shall be omitted Amendment of ment of section 80B.
- 16. In section 80C of the Income-tax Act, with effect from the 1st day Amendof April, 1973,—

 80C.
 - (a) in sub-section (2),—
 - (i) in clause (a), in sub-clauses (iii) and (iv), the word "or" shall be inserted at the end and after sub-clause (iv) as so amended, the following sub-clause shall be inserted, namely:—
 - "(v) as a contribution for participation in the Unitlinked Insurance Plan, 1971 (hereafter in this section referred to as the Unit-linked Insurance Plan) made under section 19(1)(cc) of the Unit Trust of India Act, 1963;";
 - (ii) in sub-clause (i) of clause (g), in item (3), the word "or" shall be inserted at the end and after item (3) as so amended, the following item shall be inserted, namely:—
 - "(4) as a contribution for participation by any one member of such association or body in the Unit-linked Insurance Plan;";
 - (b) after sub-section (4), the following sub-section shall be inserted, namely:—
 - "(5) If the assessee participating in the Unit-linked Insurance Plan, or in the case of an assessee being an association of persons or a body of individuals referred to in clause (g) of sub-section (2), the member thereof participating in the Plan, terminates his participation in the Plan (by notice to that effect or where he ceases to participate by reason of failure to pay any contribution, by not reviving his participation) before contributions in respect of such participation have been paid for five years, then—
 - (a) no deduction shall be allowed to the assessee under this section in respect of the contribution, if any, paid in the previous year in which the participation is so terminated; and
 - (b) the deductions allowed in respect of the contributions paid in the previous years preceding the previous year referred to in clause (a) shall be deemed to be the income of the assessee of that previous year and shall be chargeable to tax accordingly.

Explanation.—For the purposes of this sub-section, the deduction allowed under this section in respect of the contribution paid in any previous year shall be the amount by which the deduction allowed under this section for that year exceeds the deduction which would have been allowed for that year if no such contribution had been paid during that year."

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Amendment of section 80G.

- 17. In section 80G of the Income-tax Act, in Explanation 2 below subsection (5), with effect from the 1st day of April, 1973,—
 - (a) in clause (i), for the word and figures "section 11", the words, figures and letter "section 11, section 12 or section 12A" shall be substituted;
 - (b) in clause (ii), for the word and figures "section 11", the words and figures "section 11 or section 12" shall be substituted.

Omission of section 80I.

18. Section 80I of the Income-tax Act shall be omitted with effect from the 1st day of April, 1973.

Amendment of section 80J.

- 19. In section 80J of the Income-tax Act, with effect from the 1st day of April, 1973,—
 - (a) in sub-section (1), for the brackets, words, figures and letters "(reduced by the aggregate of the deductions, if any, admissible to the assessee under section 80H and section 80I)", the brackets, words, figures and letter "(reduced by the deduction, if any, admissible to the assessee under section 80H)" shall be substituted;
 - (b) in sub-section (3), the word, figures and letter ",section 80I" shall be omitted.

Amendment of section 80L.

- 20. In section 80L of the Income-tax Act, in sub-section (1), with effect from the 1st day of April, 1973,—
 - (a) in clause (vii), the word "or" at the end shall be omitted;
 - (b) in clause (viii), for the words "member of the society,", the words "member of the society; or" shall be substituted;
 - (c) after clause (viii), the following clause shall be inserted, namely:—
 - "(ix) dividends from any co-operative society,".

Omission of section 80Q.

21. Section 80Q of the Income-tax Act shall be omitted with effect from the 1st day of April, 1973.

Insertion of new section 80V. 22. After section 80U of the Income-tax Act, the following section shall be inserted, namely:—

Deduction in respect of winnings from lottery.

- "80V. Where the gross total income of an assessee, not being a company, includes any income by way of winnings from any lottery (such income being hereafter in this section referred to as winnings), there shall be allowed, in computing the total income of the assessee, a deduction from the winnings of an amount equal to,—
 - (a) in a case where the gross total income does not exceed ten thousand rupees or where the winnings do not exceed five thousand rupees, the whole of such winnings;
 - (b) in any other case, five thousand rupees as increased by a sum equal to fifty per cent, of the amount by which the winnings exceed five thousand rupees.".

23. For section 90 of the Income-tax Act, the following section shall be Substitusubstituted, namely:-

tion of new section for section 90

"90. The Central Government may enter into an agreement with the Government of any country outside India—

Agreement with foreign. countries

- (a) for the granting of relief in respect of income on which have been paid both income-tax under this Act and income-tax in that country, or
- (b) for the avoidance of double taxation of income under this Act and under the corresponding law in froce in that country, or
- (c) for exchange of information for the prevention of evasion or avoidance of income-tax chargeable under this Act or under the corresponding law in force in that country, or investigation of cases of such evasion or avoidance, or
- (d) for recovery of income-tax under this Act and under the corresponding law in force in that country,

and may, by notification in the Official Gazette, make such provisions as may be necessary for implementing the aggrement.".

24. In section 125 of the Income-tax Act, in the proviso to sub-section Amend-(1), after the figures "228,", the figures and letter "228A," shall be inserted. ment of section

25. In section 132A, sections 201, sections 213 to 217, section 220, Amendsection 243 and section 244 of the Income-tax Act and in rule 60 of the Second Schedule to that Act, for the words "nine per cent.", wherever 132A, 201, they occur, the words "twelve per cent." shall be substituted.

213 to 217, 220, 243 and 244 and Second Schedule.

26. In section 139 of the Income-tax Act,—

Amendment of section

- (a) in clause (a) of sub-section (1), for the words "six months", the words "four months" shall be substituted;
- (b) for the proviso to sub-section (2), the following proviso shall be substituted, namely: ---

"Provided that, on an application made in the prescribed manner, the Income-tax Officer may, in his discretion, extend the date for furnishing the return, and, notwithstanding that the date is so extended, interest shall be chargeable in accordance with the provisions of sub-section (8).";

- (c) for sub-section (4A), the following sub-section shall be substituted with effect from the 1st day of April, 1973, namely:—
 - "(4A) Every person in receipt of income derived from property held under trust or other legal obligation wholly for charitable or religious purposes or in part only for such purposes,

or of income being voluntary contributions referred to in subclause (iia) of clause (24) of section 2, shall if the total income in respect of which he is assessable as a representative assessee (the total income for this purpose being computed under this Act without giving effect to the provisions of sections 11 and 12) exceeds the maximum amount which is not chargeable to income-tax, furnish a return of such income of the previous year in the prescribed form and verified in the prescribed manner and setting forth such other particulars as may be prescribed and all the provisions of this Act shall, so far as may be, apply as if it were a return required to be furnished under sub-section (1).";

(d) in sub-section (8)(a),—

(i) for the portion beginning with the words, brackets and figure "Where the return under sub-section (1)" and ending with the words "waive the interest payable by any person under this sub-section.", the following shall be substituted, namely:—

"Where the return under sub-section (1) or sub-section (2) or sub-section (4) for an assessment year is furnished after the specified date, or is not furnished, then [whether or not the Income-tax Officer has extended the date for furnishing the return under sub-section (1) or sub-section (2)], the assessee shall be liable to pay simple interest at twelve per cent. per annum, reckoned from the day immediately following the specified date to the date of the furnishing of the return or, where no return has been furnished, the date of completion of the assessment under section 144, on the amount of the tax payable on the total income as determined on regular assessment, as reduced by the advance tax, if any, paid, and any tax deducted at source:

Provided that the Income-tax Officer may, in such cases and under such circumstances as may be prescribed, reduce or waive the interest payable by any assessee under this sub-section.

Explanation 1.—For the purposes of this sub-section, "specified date", in relation to a return for an assessment year, means,—

- (a) in the case of every assessee whose total income, or the total income of any person in respect of which he is assessable under this Act, includes any income from business or profession, the date of the expiry of four months from the end of the previous year or where there is more than one previous year, from the end of the previous year which expired last before the commencement of the assessment year, or the 30th day of June of the assessment year, whichever is later:
- (b) in the case of every other assessee, the 30th day of June of the assessment year.";

- (ii) the existing Explanation shall be re-numbered as Explanation 2.
- 27. In section 164 of the Income-tax Act, with effect from the 1st day Amendof April, 1973,—

ment of section 164.

- (a) in sub-section (2), for the words and figures "tax shall be charged on so much of the relevant income as is not exempt under section 11", the words, brackets, figures and letter "or which is of the nature referred to in sub-clause (iia) of clause (24) of section 2, tax shall be charged on so much of the relevant income as is not exempt under section 11 or section 12" shall be substituted;
- (b) in sub-section (3), for the words "In a case where the relevant income is derived from property held under trust in part only for charitable or religious purposes", the words, brackets, figures and letter "In a case where the relevant income is derived from property held under trust in part only for charitable or religious purposes or is of the nature referred to in sub-clause (iia) of clause (24) of section 2" shall be substituted.
- 28. After section 194A of the Income-tax Act, the following sections Insertion shall be inserted, namely: --

of new sections 194B and 194C. Winnings lottery or crossword puzzle_

"194B. The person responsible for paying to any person any income by way of winnings from any lottery or crossword puzzle in an amount exceeding one thousand rupees shall, at the time of payment thereof, deduct income-tax thereon at the rates in force:

Provided that no deduction shall be made under this section from any payment made before the 1st day of June, 1972.

194C. (1) Any person responsible for paying any sum to any resident (hereafter in this section referred to as the contractor) for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract between the contractor and—

Payments to contractors and subcontractors.

- (a) the Central Government or any State Government; or
- (b) any local authority; or
- (c) any corporation established by or under a Central, State or Provincial Act; or
 - (d) any company,

shall, at the time of credit of such sum to the account of the contractor or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct an amount equal to two per cent. of such sum as income-tax on income comprised therein.

(2) Any person (being a contractor and not being an individual or a Hindu undivided family) responsible for paying any sum to any resident (hereafter in this section referred to as the sub-contractor) in pursuance of a contract with the sub-contractor for carrying out, or for the supply of labour for carrying out, the whole or any part of the work undertaken by the contractor or for supplying whether wholly or partly any labour which the contractor has undertaken to supply shall, at the time of credit of such sum to the account of the sub-contractor or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct an amount equal to one per cent. of such sum as income-tax on income comprised therein.

- (3) No deduction shall be made under sub-section (1) or sub-section (2) from—
 - (i) any sum credited or paid in pursuance of any contract the consideration for which does not exceed five thousand rupees; or
 - (ii) any sum credited or paid before the 1st day of June, 1972.
- (4) Where the Income-tax Officer is satisfied that the total income of the contractor or the sub-contractor justifies the deduction of income-tax, at any lower rate or no deduction of income-tax, as the case may be, the Income-tax Officer shall, on an application made by the contractor or the sub-contractor in this behalf, give to him such certificate as may be appropriate.
- (5) Where any such certificate is given, the person responsible for paying the sum referred to in sub-section (1) or sub-section (2) shall, until such certificate is cancelled by the Income-tax Officer, deduct income-tax at the rates specified in such certificate or deduct no tax, as the case may be.".

Amendment of section 29. In section 197 of the Income-tax Act. in clause (a) of sub-section (1), for the figures, letter and word "194A and 195", the figures, letters and word "194A, 194B and 195" shall be substituted.

Amendment of sections 198, 199, 200, 202 and 203. 30. In section 198, section 199, section 200, section 202 and section 203 of the Income-tax Act, for the words, figures and letter "section 194A and", the words, figures and letters "section 194A, section 194B, section 194C and" shall be substituted.

Amendment of section 204.

31. In section 204 of the Income-tax Act, after the word, figures and letter "section 194A,", the words, figures and letters "section 194B, section 194C" shall be inserted.

Amendment of section 205. 32. In section 205 of the Income-tax Act, for the words, figures and letter "section 194A and", the words, figures and letters "section 194A section 194B, section 194C and" shall be substituted.

Amendment of section 207. 33. In section 207 of the Income-tax Act, in sub-section (1), for the words 'in the case of income other than income chargeable under the head "Capital gains".', the following shall be substituted, namely:—

'in the case of income other than-

(a) income chargeable under the head "Capital gains"; and

- (b) income referred to in sub-clause (ix) of clause (24) of section 2.'.
- 34. In section 208 of the Income-tax Act, in clause (a) of sub-section Amend-(1), for the words "exclusive of capital gains,", the words, brackets and figures "exclusive of capital gains and income referred to in sub-clause (ix) of clause (24) of section 2." shall be substituted.

35. In section 209 of the Income-tax Act. in clause (a).—

Amendment of section 209.

- (a) in sub-clause (ii), for the words "the amount of capital gains", the words, brackets and figures "the amount of capital gains and income referred to in sub-clause (ix) of clause 24) of section 2" shall be substituted:
- (b) in sub-clause (iii), for the words, figures and letter "section 194A and", the words, figures and letters "section 194A, section 194C and" shall be substituted.
- 36. In section 211 of the Income-tax Act. in the Explanation below sub-section (1), for the words "by the capital gains", the words, brackets ment of and figures "by the amount of capital gains and income referred to in sub-clause (ix) of clause (24) of section 2" shall be substituted.

37. In section 212 of the Income-tax Act, in sub-section (1), for the Amendbrackets and words "(exclusive of capital gains, if any)", the brackets. words and figures "[exclusive of capital gains and income referred to in sub-clause (ix) of clause (24) of section 2, if any]" shall be substituted.

38. In section 215 of the Income-tax Act. in sub-section (5), for the word, figures and letter "section 194A", the words. figures and letters "section 194A, section 194C" shall be substituted.

Amendsection 215

39. After section 228 of the Income-tax Act. the following section shall Insertion be inserted, namely: —

of new section 228A.

"228A. (1) Where an agreement is entered into by the Central Government with the Government of any country outside India for recovery of Income-tax under this Act and the corresponding law in force in that country and the Government of that country or any authority under that Government which is specified in this behalf in such agreement sends to the Board a certificate for the recovery of any tax due under such corresponding law from a person having any property in India, the Board may forward such certificate to any Tax Recovery Officer within whose jurisdiction such property is situated and thereupon such Tax Recovery Officer shall—

Recovery pursuance of agreements with foreign countries.

- (a) proceed to recover the amount specified in the certificate in the manner in which he would proceed to recover the amount specified in a certificate received from an Income-tax Officer; and
- (b) remit any sum so recovered by him to the Board after deducting his expenses in connection with the recovery proceedings.

(2) Notwithstanding the issue of a certificate under section 222 to the Tax Recovery Officer, where an assessee is in default or is deemed to be in default in making a payment of tax. the Income-tax Officer may, if the assessee has property in a country outside India (being a country with which the Central Government has entered into an agreement for the recovery of income-tax under this Act and the corresponding law in force in that country), forward to the Board a certificate specifying the amount of arrears due from the assessee and the Board may take such action thereon as it may deem appropriate having regard to the terms of the agreement with such country."

Amendment of section 252.

- 40. In section 252 of the Income-tax Act, after sub-section (3), the following sub-sections shall be inserted, namely:—
 - "(4) The Central Government may appoint one or more members of the Appellate Tribunal to be the Vice-President or, as the case may be. Vice-Presidents thereof.
 - (5) A Vice-President shall exercise such of the powers and perform such of the functions of the President as may be delegated to him by the President by a general or special order in writing.".

Amendment of section 295.

- 41. In section 295 of the Income-tax Act. in sub-section (2), after clause (m), the following clause shall be inserted. namely:—
 - "(mm) the circumstances in which, the conditions subject to which and the manner in which the Appellate Assistant Commissioner may permit an appellant to produce evidence which he did not produce or which he was not allowed to produce before the Income-tax Officer;".

Amendment of Fourth Schedule. 42. In the Fourth Schedule to the Income-tax Act, in Part C, for the brackets, words and figures "[See sections 2(5), 17(1) (iii), 36(1) (v)]", the brackets, words and figures "[See sections 2(5), 10(25) (iv), 17(1) (iii), 36(1) (v)]" shall be substituted with effect from the 1st day of April, 1973.

Omission of Sixth Schedule.

43. The Sixth Schedule to the Income-tax Act shall be omitted with effect from the 1st day of April, 1973.

WEALTH-TAX

Amendment of section 2.

- 44. In section 2 of the Wealth-tax Act, 1957 (hereinafter refered to as the Wealth-tax Act),—
 - (a) after clause (h), the following clause shall be, and shall be deemed always to have been, inserted, namely:—
 - '(ha) "co-operative society" means a co-operative society registered under the Co-operative Societies Act. 1912 or under any other law for the time being in force in any State for the registration of co-operative societies:":
 - (b) existing clause (ha) shall be deemed to have been re-lettered as clause (hb) with effect from the 1st day of April, 1965.

45. In section 5 of the Wealth-tax Act. -

Amendment of section 5.

(a) in sub-section (1),-

(i) after clause (xviia), the following clauses shall be, and shall be deemed always to have been, inserted, namely:—

"(xviib) any property held by the trustees on behalf of any provident fund to which the Provident Funds Act, 1925 applies or which is a recognised provident fund within the meaning of clause (38) of section 2 of the Income-tax Act;

(xviic) any property held by the trustees on behalf of any gratuity fund which is an approved gratuity fund within the meaning of clause (5) of section 2 of the Incometax Act;

(xviid) any property held by the trustees on behalf of any superannuation fund which is an approved superannuation fund within the meaning of clause (6) of section 2 of the Income-tax Act;":

(ii) after clause (xxx), the following clauses shall be inserted with effect from the 1st day of April, 1973, namely:—

'(xxxi) the value, as determined in the prescribed manner, of assets (not being any land or building or any rights in any land or building or any asset referred to in any other clause of this sub-section) forming part of an industrial undertaking belonging to the assessee:

Explanation.—For the purposes of this clause and clause (xxxii), the term "industrial undertaking" means an undertaking engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining;

(xxxii) the value, as determined in the prescribed manner, of the interest of the assessee in the assets (not being any land or building or any rights in any land or building or any asset referred to in any other clause of this subsection) forming part of an industrial undertaking belonging to a firm or an association of persons of which the assessee is a partner or, as the case may be, a member.';

(b) in sub-section (1A), for the brackets, figures and word "(xxviii) and (xxix)", the brackets, figures and word "(xxviii), (xxix), (xxxi) and (xxxii)" shall be substituted with effect from the 1st day of April, 1973;

(c) in sub-section (3), after the proviso, the following Explanation shall be inserted with effect from the 1st day of April, 1973, namely:—

"Explanation.—For the purposes of clause (a) or clause (b) of this sub-section, in computing the period of six months in relation to any asset (not being any share or security held as stock-in-trade for the purposes of the business of the assessee) in a case where such asset (hereafter in this Explanation referred to as the relevant asset) was acquired by the assessee by conversion of, or in exchange for, or with the proceeds of, or with the money constituting, any other asset exempt from wealth-tax under sub-section (1) or sub-section (2), there shall be included, if the assessee acquired the relevant asset within thirty days after he ceased to hold such other asset, so much of the period for which the assessee held such other asset as falls within the period of twelve months ending with the relevant valuation date."

Insertion of new section 21A.

46. After section 21 of the Wealth-tax Act, the following section shall be inserted with effect from the 1st day of April, 1973, namely:—

Assessment in cases of diversion of property, or of income from property. held under trust for public charltable or religlous purposes.

- '21A. Nothwithstanding anything contained in clause (i) of subsection (1) of section 5, where any property is held under trust for any public purpose of a charitable or religious nature in India and
 - (i) any part of such property or any income of such trust [whether derived from such property or from voluntary contributions referred to in sub-clause (iia) of clause (24) of section 2 of the Income-tax Act] is used or applied, or
 - (ii) any part of the income of the trust [whether derived from such property or from voluntary contributions referred to in sub-clause (iia) of clause (24) of section 2 of the Incometax Act], being a trust created on or after the 1st day of April, 1962, enures,

directly or indirectly, for the benefit of any person referred to in sub-section (3) of section 13 of the Income-tax Act, wealth-tax shall be leviable upon and recoverable from the trustee or manager (by whatever name called) in the like manner and to the same extent as if the property were held by an individual who is a citizen of India and resident in India for the purposes of this Act and—

- (a) at the rates specified in Part I of the Schedule in the case of an individual; or
 - (b) at the rate of one and one-half per cent.,

whichever course is more beneficial to the revenue:

Provided that in the case of a trust created before the 1st day of April, 1962, the provisions of clause (i) shall not apply to any use or application, whether directly or indirectly, of any part of such property or any income of such trust for the benefit of any person referred to in sub-section (3) of section 13 of the Income-tax Act if such use or application is by way of compliance with a mandatory term of the trust:

Provided further that in a case where the aggregate of the funds of the trust invested in a concern in which any person referred to in sub-section (3) of section 13 of the Income-tax Act has a substantial interest as provided in Explanation 3 to that section does not exceed five per cent. of the capital of that concern, the exemption under clause (i) of sub-section (1) of section 5 shall not be denied in relation to any property other than such investment, by reason . only that the funds of the trust have been invested in a concern in which any person referred to in the aforesaid sub-section (3) has such substantial interest.

Explanation.—For the purposes of this section,—

- (a) any part of the property or income of a trust shall be deemed to have been used or applied for the benefit of any person referred to in sub-section (3) of section 13 of the Incometax Act in every case in which it can be so deemed to have been used or applied within the meaning of clause (c) of sub-section (1) of that section at any time during the period of twelve months ending with the relevant valuation date;
 - (b) "trust" includes any other legal obligation."...
- 47. In sections 31 and 34A of the Wealth-tax Act, for the words "nine Amendper cent.", the words "twelve per cent." shall be substituted.

sections 31 and

48. In section 32 of the Wealth-tax Act, for the words and figures Amend-"sections 221 to 227", the words, figures and letter "sections 221 to 227, ment of 228A" shall be substituted.

49. In section 44A of the Wealth-tax Act, for the portion beginning Amendwith the words "The Central Government may" and ending with the ment of words "for implementing the agreement.", the following shall be substi- 44A. tuted, namely:-

"The Central Government may enter into an agreement with the Government of any reciprocating country-

(a) for the avoidance or relief of double taxation with respect to wealth-tax payable under this Act and under the corresponding law in force in the reciprocating country, or

- (b) for exchange of information for the prevention of evasion or avoidance of wealth-tax chargeable under this Act or under the corresponding law in force in that country or investigation of cases of such evasion or avoidance, or
- (c) for recovery of tax under this Act and under the corresponding law in force in that country,

and may, by notification in the Official Gazette, make such provision as may be necessary for implementing the agreement.

Amendment of section 45.

50. In section 45 of the Wealth-tax Act,—

- (a) for the words "The provisions of this Act shall not apply to-", the words "No tax shall be levied under this Act in respect of the net wealth of-" shall be substituted;
- (b) after clause (f), the following clause shall be, and shall be deemed always to have been, inserted, namely:-
 - "(a) any co-operative society.".

Amendment of section 46.

- 51. In section 46 of the Wealth-tax Act, in sub-section (2), after clause (c), the following clause shall be inserted, namely:-
 - "(cc) the circumstances in which, the conditions subject to which and the manner in which, the Appellate Assistant Commissioner may permit an appellant to produce evidence which he did not produce or which he was not allowed to produce before the Wealth-tax Officer;".

GIFT-TAX

Amendment of sections 32 and 33A

52. In sections 32 and 33A of the Gift-tax Act, 1958 (hereinafter re- 18 of 1958. ferred to as the Gift-tax Act), for the words "nine per cent.", the words "twelve per cent." shall be substituted.

Amendment of section 33.

53. In section 33 of the Gift-tax Act, for the words and figures "sections 221 to 227", the words, figures and letter "sections 221 to 277, 228A" shall be substituted.

Amendment of section 44.

54. In section 44 of the Gift-tax Act, for the portion beginning with the words "The Central Government may" and ending with the words "for implementing the agreement.", the following shall be substituted. namely: -

"The Central Government may enter into an agreement with the Government of any reciprocating country-

(a) for the avoidance or relief of double taxation with respect to gift-tax payable under this Act and under the corresponding law in force in the reciprocating country, or

- (b) for exchange of information for the prevention of evasion or avoidance of gift-tax chargeable under this Act or under the corresponding law in force in that country or investigation of cases of such evasion or avoidance, or
- (c) for recovery of tax under this Act and under the corresponding law in force in that country,

and may, by notification in the Official Gazette, make such provision as may be necessary for implementing the agreement.".

55. In section 45 of the Gift-tax Act, with effect from the 1st day of Amend-April, 1973,—

section 45.

- (a) in clause (e), for the word and figures "section 11", the words and figures "section 11 or section 12" shall be substituted;
 - (b) in Explanation 3,—
 - (i) in clause (i), for the word and figures "section 11" the words, figures and letter "section 11 or section 12 or section 12A" shall be substituted;
 - (ii) in clause (ii), for the word and figures "section 11", the words and figures "section 11 or section 12" shall be substituted.
- 56. In section 46 of the Gift-tax Act, in sub-section (2), after clause (c), the following clause shall be inserted, namely:--

Amendsection 46.

"(cc) the circumstances in which, the conditions subject to which and the manner in which, the Appellate Assistant Commissioner may permit an appellant to produce evidence which he did not produce or which he was not allowed to produce before the Gift-tax Officer;".

SURTAX

7 of 1964.

57. For section 24A of the Companies (Profits) Surtax Act, 1964 Substitu-[hereinafter referred to as the Companies (Profits) Surtax Act], the tion of following section shall be substituted, namely: --

tion for section

"24A. The Central Government may enter into an agreement Agreewith the Government of any country outside India-

ment with foreign countries.

(a) for the granting of relief in respect of chargeable profits on which have been paid both surtax under this Act and tax of a similar character or income-tax on such profits in that country, or

- (b) for the avoidance of double taxation of chargeable profits under this Act and under any law relating to the taxation of income or profits in force in that country, or
- (c) for exchange of information for the prevention of evasion or avoidance of surtax chargeable under this Act or the tax chargeable under the corresponding law in force in that country or investigation of cases of such evasion or avoidance, or
- (d) for recovery of tax under this Act and under any law relating to the taxation of income or profits in force in that country,

and may, by notification in the Official Gazette, make such provision as may be necessary for implementing the agreement.".

Amendment of section 25.

- 58. In section 25 of the Companies (Profits) Surtax Act, in subsection (2), after clause (c), the following clause shall be inserted, namely:—
 - "(cc) the circumstances in which, the conditions subject to which and the manner in which, the Appellate Assistant Commissioner may permit an appellant to produce evidence which he did not produce or which he was not allowed to produce before the Income-tax Officer;".

MISCELLANEOUS

Certain casual and non-recurring recelpts not to be included in the total income for the assessment year 1972-73.

59. Notwithstanding the amendments made by this Act to the Incometax Act, in computing, in the case of any person, the total income of a previous year relevant to the assessment year commencing on the 1st day of April, 1972, any income falling within clause (3) of section 10 of the Incometax Act as it stood immediately before the 1st day of April, 1972, shall not be included.

Applicability of revised rate of interest.

- 60. For the removal of doubts, it is hereby declared that where interest is payable under—
 - (a) section 139 of the Income-tax Act or any other provision of that Act referred to in section 25 of this Act; or
 - (b) section 31 or section 34A of the Wealth-tax Act; or
 - (c) section 32 or section 33A of the Gift-tax Act; or
 - (d) section 18 of the Companies (Profits) Surtax Act,

in respect of any period commencing on or before the 31st day of March, 1972 and ending after that date, such interest shall, in respect of so much of such period as falls after that date, be calculated at the rate of twelve per cent, per annum.

CHAPTER IV

INDIRECT TAXES

61. The Indian Tariff Act, 1934 (hereinafter referred to as the Tariff Amend-Act) shall be amended in the manner specified in the Second Schedule, ment of 1934.

62. (1) With a view to regulating or bringing greater economy in Regulaimports, there shall be levied and collected, with effect from such date, tory duties of and at such rate, as may be specified in this behalf by the Central Gov- customs. ernment by notification in the Official Gazette, on all or any of the goods mentioned in the First Schedule to the Tariff Act, or in that Schedule as amended from time to time, a regulatory duty of customs which shall not exceed 15 per cent. of the value of the goods as determined in accordance with the provisions of section 14 of the Customs Act, 1962:

52 of 1962.

Provided that different dates and different rates may be specified by the Central Government for different kinds of goods.

(2) Sub-section (1) shall cease to have effect after the 15th day of May, 1973, except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897, shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

10 of 1897.

(3) The regulatory duty of customs leviable under this section in respect of any goods referred to in sub-section (1) shall be in addition to any other duty of customs chargeable on such goods under the Customs Act, 1962.

52 of 1962.

52 of 1962.

- (4) The provisions of the Customs Act. 1962, and the rules and regulations made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the regulatory duty of customs leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of customs on such goods under that Act or those rules and regulations.
- (5) Every notification issued under sub-section (1) shall, as soon as may be after it is issued, be placed before each House of Parliament.
- (6) All regulatory duties of customs levied under sub-section (1) of section 4 of the Finance Act, 1971 and in force immediately before the 18th day of March. 1972, shall, subject to any notification issued under section 25 of the Customs Act, 1962, read with sub-section (4) of the said section 4, continue to have effect until the date on which the other provisions of this section come into force, and accordingly in subsection (2) of the said section 4, for the reference to the 15th day of May, 1972, a reference to the date on which the other provisions of this section come into force shall be deemed to be substituted.

52 of 1962.

Amendment of Act. 1 of 1949 63. In the Indian Tariff (Amendment) Act, 1949, in sections 4 and 5, for the figures "1972", the figures "1973" shall be substituted.

Amendment of Act. 1 of 1944 64. In the Central Excises and Salt Act, 1944 (hereinafter referred to as the Central Excises Act),—

(a) after section 35, the following section shall be inserted, namely:—

Revision by Board.

"35A. The Central Board of Excise and Customs constitu- 54 of 1963 ted under the Central Boards of Revenue Act, 1963, may, of its own motion or otherwise, call for and examine the record of any proceeding in which any decision or order has been passed under this Act or the rules made thereunder (not being a decision or order passed on appeal under section 35) for the purpose of satisfying itself as to the correctness, legality or propriety of such decision or order and may pass such order thereon as it thinks fit:

Provided that no decision or order shall be varried so as to prejudicially affect any person unless such person is given a reasonable opportunity of making a representation and, if he so desires, of being heard in his defence:

Provided further that no proceedings shall be commenced under this section in respect of any decision or order (whether such decision or order has been passed before or after the coming into force of this section) after the expiration of a period of one year from the date of such decision or order.";

- (b) section 36 shall be re-numbered as sub-section (1) thereof, and after sub-section (1) as so re-numbered, the following sub-section shall be inserted, namely:—
 - "(2) The Central Government may, of its own motion or otherwise, call for and examine the record of any proceeding in which any decision or order has been passed under section 35 or section 35A of this Act for the purpose of satisfying itself as to the correctness, legality or propriety of such decision or order and may pass such order thereon as it thinks fit:

Provided that no decision or order shall be varied so as to prejudicially affect any person unless such person is given a reasonable opportunity of making a representation and if he so desires, of being heard in this defence:

Provided further that no proceedings shall be commenced under this sub-section in respect of any decision or order (whether such decision or order has been passed before or after the coming into force of this sub-section) after the expiration of a period of one year from the date of such decision or order.";

(c) the First Schedule shall be amended in the manner specified in the Third Schedule.

65. (1) With a view to regulating or bringing greater economy in Regulaconsumption, there shall be levied and collected, with effect from such don't date, and at such rate, as may be specified in this behalf by the Central excise. Government by notification in the Official Gazette, on all or any of the goods mentioned in the First Schedule to the Central Excises Act, a regulatory duty of excise which shall not exceed 15 per cent. of the value of the goods as determined in accordance with the provisions of section 4 of the Central Excises Act:

of 1957.

Provided that different dates and different rates may be specified by the Central Government for different kinds of goods.

10 of 1897

- (2) Sub-section (1) shall cease to have effect after the 15th day of May, 1973, except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897, shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.
- (3) The duties of excise referred to in sub-section (1) in respect of the goods specified therein shall be in addition to the duties of excise chargeable on such goods under the Central Excises Act or any other law for the time being in force and such regulatory duties shall be levied for the purposes of the Union and the proceeds thereof shall not be distributed among the States.
- (4) The provisions of the Central Excises Act and the rules made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the regulatory duties of excise leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of excise on such goods under that Act or those rules.
- (5) Every notification issued under sub-section (1) shall, as soon as may be after it is issued, be placed before each House of Parliament.

- (6) All regulatory duties of excise levied under sub-section (1) of 14 of 1971. section 7 of the Finance Act, 1971 and in force immediately before the 18th day of March, 1972, shall, subject to any notification under rule 8 of the Central Excise Rules, 1944, read with sub-section (4) of the said section, continue to have effect until the date on which the other provisions of this section come into force, and accordingly in subsection (2) of the said section 7, for the reference to the 15th day of May, 1972, a reference to the date on which the other provisions of this section come into force shall be deemed to be substituted.
 - 66. The Additional Duties of Excise (Goods of Special Importance) Amend-Act, 1957 (hereinafter referred to as the Additional Duties of Excise ment of Act) shall be amended in the manner specified in the Fourth Schedule.
 - 67. The Mineral Products (Additional Duties of Excise and Customs) Amend-Act, 1958 (hereinafter referred to as the Mineral Products Act) shall be ment of Act 27 amended in the manner specified in the Fifth Schedule. of 1958.
 - 68. For the year beginning on the 1st day of April, 1972, no duty Discontiunder the Central Excises Act or the Tariff Act shall be levied in ressalt duty. meet of salt manufactured in, or imported into, India.

CHAPTER V

DELHI SALES TAX

Amendment of Bengal Act VI of 1941 as in force in Delhi.

- 69. In the Bengal Finance (Sales Tax) Act, 1941, as in force in the Union territory of Delhi,—
 - (a) in section 5, in sub-section (2), in sub-clause (ii) of clause (a), for the words "for use by him as raw materials in the manufacture of goods for sale; and ", the following shall be substituted, namely:—

"for use by him as raw materials in the manufacture in the Union territory of Delhi (hereafter in this sub-clause referred to as Delhi), of goods (other than goods declared tax-free under section 6),—

- (A) for sale inside Delhi; or
- (B) for sale in the course of inter-State trade or commerce, being a sale occasioning, or effected by transfer of documents of title to such goods during the movement of such goods from Delhi; or
- (C) for sale in the course of export outside India being a sale occasioning the movement of such goods from Delhi. or a sale effected by transfer of documents of title to such goods effected during the movement of such goods from Delhi, to a place outside India and after the goods have crossed the customs frontiers of India; and";
- (b) after section 12, the following sections shall be inserted, namely:—

Liability in case of transfer of business. '12A. Where a dealer, liable to pay tax under this Act, transfers his business in whole or in part, by sale, gift, lease, leave or licence, hire or in any other manner whatsoever, the dealer and the person to whom the business is so transferred shall jointly and severally be liable to pay the tax (including penalty) due from the dealer up to the time of such transfer, whether such tax (including penalty) has been assessed before such transfer, but has remained unpaid or is assessed thereafter:

Provided that the liability of the transferee shall be limited to the value of the assets he obtained by such transfer.

- 12B. (1) Every person—
- (a) who is a liquidator of any company which is being wound up whether under the orders of a court or otherwise; or
- (b) who has been appointed the receiver of any assets of a company,

(hereinafter referred to as the liquidator) shall, within thirty days after he has become such liquidator, give notice of his appointment as such to the Commissioner.

Liability in case of company in liquidation.

- (2) The Commissioner shall after making such enquiries or calling for such information as he may deem fit, notify to the liquidator within three months from the date on which he receives notice of appointment of the liquidator the amount which, in the opinion of the Commissioner, would be sufficient to provide for any tax (including any penalty) which is then or is likely thereafter to become, payable by the company under this Act.
- (3) The liquidator shall not part with any of the assets of the company or the properties in his hand until he has been notified by the Commissioner under sub-section (2), and on being so notified the liquidator shall set aside an amount equal to the amount notified and until he so sets aside such amount, he shall not part with any of the assets of the company or the properties in his hand:

Provided that nothing contained in this sub-section shall debar the liquidator from parting with such assets or properties in compliance with any order of a court or for the purpose of the payment of the tax and penalty, if any, payable by the company under this Act or for making any payment to secured creditors whose debts are entitled under law to priority of payment over debts due to Government on the date of liquidation or for meeting such costs and expenses of the winding up of the company as are in the opinion of the Commissioner reasonable.

(4) If the liquidator fails to give notice in accordance with sub-section (1) or fails to set aside the amount as required by sub-section (3) or parts with any assets of the company or the properties in his hand in contravention of the provisions of that sub-section, he shall be personally liable for the payment of the tax and penalty, if any, which the company would be liable to pay under this Act:

Provided that if the amount of any tax (including any penalty) payable by the company is notified under sub-section (2), the personal liability of the liquidator under this sub-section shall be to the extent of such amount.

- (5) Where there are more liquidators than one, the obligations and liabilities attached to the liquidator under this section shall be attached to all the liquidators jointly and severally.
- (6) When any private company is wound up and any tax (including any penalty) assessed under this Act on the company for any period before or in the course of or after its liquidation, cannot be recovered, then every person who was a director of the private company at any time during the period for which the tax is due, shall be jointly and severally liable for the payment of such tax (including penalty) unless he proves to the attributed to any gross negligence, misfeasance or breach of duty satisfaction of the Commissioner that non-recovery can not be on his part in relation to the affairs of the company.
- (7) The provisions of this section shall have effect notwithstanding anything to the contrary contained in any other law for the time being in force.

(8) For the purposes of this section, the expressions "company" and "private company" shall have the meanings respectively assigned to them under clauses (i) and (iii) of sub-section (1) of section 3 of the Companies Act. 1956.

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Liability of partners of firm to pay tax. 12C. Nothwithstanding any contract to the contrary, where any firm is liable to pay any tax (including any penalty) under this Act, the firm and each of the partners of the firm shall be jointly and severally liable for such payment:

Provided that where any such partner retires from the firm, he shall intimate the date of his retirement to the Commissioner by a notice in that behalf in writing and he shall be liable to pay tax (including penalty) remaining unpaid at the time of his retirement and any tax (including any penalty) due up to the date of his retirement though unassessed on that date:

Provided further that if no such intimation is given within fifteen days from the date of retirement, the liability of the partner under the first proviso shall continue until the date on which such intimation is received by the Commissioner.

Liability of guardians, trustees, etc. 12D. Where the business in respect of which tax is payable under this Act is carried on by, or is in charge of any guardian, trustee or agent of a minor or other incapacitated person on his behalf and for the benefit of such minor or other incapacitated person, the tax shall be levied upon and recoverable from such guardian, trustee or agent, as the case may be, in like manner and to the same extent as it would be assessed upon and recoverable from any such minor or other incapacitated person if he were of full age and of sound mind and if he were conducting the business himself; and all the provisions of this Act shall, so far as may be, apply accordingly.

Liability of Court of Wards. etc. 12E. Where the estate or any portion of the estate of a dealer owning a business in respect of which tax is payable under this Act is under the control of the Court of Wards, the Administrator-General, the Official Trustee or any Receiver or Manager (including any person, whatever be his designation, who in fact manages the business) appointed by or under any order of a court, the tax shall be levied upon and be recoverable from such Court of Wards, Administrator-General, Official Trustee, Receiver or Manager in like manner and to the same extent as it would be assessable upon and be recoverable from the dealer if he were conducting the business himself; and all the provisions of this Act shall, so far as may be, apply accordingly.

Liability in other cases.

- 12F. (1) Where a dealer is a firm or an association of persons or a Hindu undivided family, and such firm, association or family has discontinued business—
 - (a) the tax payable under this Act by such firm, association or family up to the date of such discontinuance may be assessed as if no such discontinuance had taken place; and
 - (b) every person who was at the time of such discontinuance a partner of such firm or a member of such association or family shall, notwithstanding such discontinuance, be

liable jointly and severally for the payment of tax assessed any penalty imposed and payable by such firm, association or family, whether such tax (including penalty) has been assessed prior to or after such discontinuance, and, subject as aforesaid, the provisions of this Act shall, so far as may be, apply as if every such person or partner or member were himself a dealer:

Provided that where the partner of a firm liable to pay such tax (including penalty) dies, the provisions of sub-section (4) shall, so far as may be, apply.

- (2) Where a change has occurred in the constitution of a firm or association, the partners or members of the firm or association as it existed before and as it exists after its reconstitution, shall, without prejudice to the provisions of section 12C, jointly and severally be liable to pay any tax (including any penalty) due from such firm or association for any period before its re-constitution.
- (3) The provisions of sub-section (1) shall, so far as may be, apply where the dealer, being a firm or association of persons is dissolved, or where the dealer, being a Hindu undivided family has effected partition with respect to the business carried on by it and accordingly references in that subsection to discontinuance shall be treated as references to dissolution or, as the case may be, to partition.
- (4) Where a dealer liable to pay tax under this Act dies, then—
 - (a) if the business carried on by the dealer is continued after his death, by his legal representative or any other person, such legal representative or other person shall be liable to pay the tax (including penalty) due from the dealer under this Act;
 - (b) if the business carried on by the dealer is discontinued after his death, his legal representative shall be liable to pay out of the estate of the deceased, to the extent the estate is capable of meeting the charge, the tax (including penalty) due from the dealer under this Act whether such tax (including penalty) has been assessed before his death but has remained unpaid or is assessed after his death,

and the provisions of this Act shall, so far as may be, apply to such legal representative or other person as if he were the dealer himself.

Explanation.—For the purposes of this sub-section | "legal representative" has the meaning assigned to it in clause (11) of section 2 of the Code of Civil Procedure, 1908':

(c) in section 17, for the words "the transferee shall for all the purposes of this Act", the words "then, save as otherwise provided in section 12A, the transferee shall for all the purposes of this Act" shall be substituted.

Declaration under the Provisional Collection of Taxes Act, 1931.

It is hereby declared that it is expedient in the public interest that the provisions of clauses 61, 62(6), 63, 64(c), 65(6), 66 and 67 of this Bill shall have immediate effect under the Provisional Collection of Taxes 16 of 1931. Act, 1931.

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THE FIRST SCHEDULE

(See section 2)

PART I

INCOME-TAX AND SURCHARGES ON INCOME-TAX

Paragraph A

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Incometax Act, not being a case to which any other Paragraph of this Part applies,—

Rates of income-tax

(1) where the total income does not exceed Rs. 5,000

Nil:

- (2) where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000
- (3) where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000
- (4) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000
- (5) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000
- (6) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000
- (7) where the total income exceeds Rs. 30,000 but does not exceed Rs. 40,000;
- (8) where the total income exceeds Rs. 40,000 but does not exceed Rs. 60,000
- (9) where the total income exceeds Rs. 60,000 but does not exceed Rs. 80,000
- (10) where the total income exceeds Rs. 80,000 but does not exceed Rs. 1,00,000
- (11) where the total income exceeds Rs. 1,00,000 but does not exceed Rs. 2,00,000
- (12) where the total income exceeds Rs. 2,00,000

- the total income exceeds Rs. 5,000;
- Rs. 500 plus 17 per cent. of the amount by which the total income exceeds Rs. 10,000;
- Rs. 1,350 plus 23 per cent. of the amount by which the total income exceeds Rs. 15,000;
- Rs. 2,500 plus 30 per cent. of the amount by which the total income exceeds Rs. 20,000;
- Rs. 4,000 plus 40 per cent. of the amount by which the total income exceeds Rs. 25,000;
- Rs. 6,000 plus 50 per cent. of the amount by which the total income exceeds Rs. 30,000;
- Rs. 11,000 plus 60 per cent. of the amount by which the total income exceeds Rs.40,000;
- Rs. 23,000 plus 70 per cent. of the amount by which the total income exceeds Rs. 60,000;
- Rs. 37,000 plus 75 per cent. of the amount by which the total income exceeds Rs. 80,000;
- Rs. 52,000 plus 80 per cent. of the amount by which the total income exceeds Rs. 1,00,000;
- Rs. 1,32,000 plus 85 per cent. of the amount by which the total income exceeds Rs. 2,00,000:

Provided that for the purposes of this Paragraph, in the case of a Hindu undivided family which at any time during the previous year satisfies either of the following two conditions, namely:-

- (a) that it has at least two members entitled to claim partition who are not less than eighteen years of age, or
- (b) that it has at least two members entitled to claim partition who are not lineally descended one from the other and who are not lineally descended from any other living member of the family,
 - (i) no income-tax shall be payable on a total income not exceeding Rs. 7,000;
 - (ii) where the total income exceeds Rs. 7,000 but does not exceed Rs. 7,660, the income-tax payable thereon shall not exceed forty per cent. of the amount by which the total income exceeds Rs. 7,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge for purposes of the Union calculated at the following rates, namely:-

- (a) in a case where the total 10 per cent.; income does not exceed Rs. 15,000
 - (b) in any other case

15 per cent.:

Provided that the amount of surcharge payable shall, in no case, exceed the aggregate of the following sums, namely:—

- (i) an amount calculated at the rate of 10 per cent. on the amount of income-tax on an income of Rs. 15,000, if such income had been the total income (the income of Rs. 15,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the person concerned); and
- (ii) 40 per cent. of the amount by which the total income exceeds Rs. 15,000.

Paragraph B

In the case of every co-operative society,

Rates of income-tax

- (1) where the total income does 15 per cent. of the total income; not exceed Rs. 10,000
- (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000
- Rs. 1,500 plus 25 per cent. of the amount by which the total income exceeds Rs. 10,000;
- ceeds Rs. 20,000
- (3) where the total income ex- Rs. 4,000 plus 40 per cent. of the amount by which the total income exceeds Rs. 20,000.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent of such income-tax.

Paragraph C

In the case of every registered firm,

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000

Nil;

- (2) where the total income ex- 4 per cent, of the amount by which ceeds Rs. 10,000 but does not exceed Rs. 25,000
- (3) where the total income ex- Rs. 600 plus 6 per cent, of the amount ceeds Rs. 25,000 but does not exceed Rs. 50,000
- (4) where the total income ex- Rs. 2,100 plus 12 per cent. of the ceeds Rs. 50,000 but does not exceed Rs. 1,00,000
- ceeds Rs. 1,00,000

- the total income exceeds Rs. 10,000;
- by which the total income exceeds Rs. 25,000;
- amount by which the total income exceeds Rs. 50,000;
- (5) where the total income ex- Rs. 8,100 plus 20 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharges on income-tax

The amount of income-tax computed at the rate hereinbefore specifled shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified hereunder:-

- (a) in the case of a registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income, a surcharge calculated at the rate of ten per cent. of the amount of income-tax computed at the rate hereinbefore specified;
- (b) in the case of any other registered firm, a surcharge calculated at the rate of twenty per cent. of the amount of income-tax computed at the rate hereinbefore specified; and
- (c) a special surcharge calculated at the rate of fifteen per cent. on the aggregate of the following amounts, namely:-
 - (i) the amount of income-tax computed at the rate hereinbefore specified; and
 - (ii) the amount of the surcharge calculated in accordance with clause (a), or, as the case may be, clause (b) of this subparagraph.

Explanation .- For the purposes of this Paragraph, "registered firm" includes an unregistered firm assessed as a registered firm under clause (b) of section 183 of the Income-tax Act.

Paragraph D

In the case of every local authority,-

Rate of income-tax

On the whole of the total income

50 per cent.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax,

Paragraph E

In the case of the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956,—

Rates of income-tax

- (i) on that part of its total 52.5 per cent.; income which consists of profits and gains from life insurance business
- (ii) on the balance, if any, of the total income

 the total income

 the total income

 accordance with Paragraph F of this Part, to the total income of a domestic company which is a company in which the public are substantially interested.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specifled shall be increased by a surcharge calculated at the rate of two and a half per cent. of such income-tax.

Paragraph F

In the case of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956,—3x of 1956

Rates of income-tax

- I. In the case of a domestic company-
- (1) where the company is a company in which the public are substantially interested,—
 - (i) in a case where the total 45 per cent. of the total income; income does not exceed Rs. 50,000
 - (ii) in case where the total 55 per cent. of the total income; income exceeds Rs. 50,000

- (2) where the company is not a company in which the public are substantially interested,—
 - (i) in the case of an industrial company—
 - (a) on so much of the total 55 per cent.; income as does not exceed Rs. 10,00,000
 - (b) on the balance, if any, 60 per cent.; of the total income
 - (ii) in any other case

65 per cent. of the total income:

Provided that the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 50,000, shall not exceed the aggregate of—

- (a) the income-tax which would have been payable by the company if its total income had been Rs. 50,000 (the income of Rs. 50,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and
- (b) eighty per cent. of the amount by which its total income exceeds Rs. 50,000.
- II. In the case of a company other than a domestic company—
 - (i) on so much of the total income as consists of-
 - (a) royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961, or
 - (b) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964,

and where such agreement has, in either case, been approved by the Central Government 50 per cent.;

(ii) on the balance, if any, of the total income yo per cent.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge calculated at the rate of two and a half per cent. of such income-tax.

PART II

Rates for deduction of tax at source in certain cases

In every case in which under the provisions of sections 193, 194, 194A, 194B and 195 of the Income-tax Act, tax is to be deducted at the rates in force, deduction shall be made from the income subject to deduction, at the following rates:—

		Income-tax		
		Rate of income-tax	Rate of Surcharge	
I,	In the case of a person other than a company—			
	(a) where the person is resident—			
	(i) on income by way of interest other than "Interest on securities"	10 per cent.	Nil;	
	(\ddot{u}) On income by way of winnings from lotteries and crossword puzzles	30 per cent.	4.5 per cent.	
	(iii) on any other income (excluding interest payable on a tax-free security)	20 per cent.	3 per cent, ;	
	(b) where the person is not resident in India—			
	(i) on the whole income (excluding interest payable on a tax-free security)	Income-tax at 30 per cent. and surcharge at 4.5 per cent of the amount of the income, Or		
		income-tax i income at the in Paragraph this Schedul	d surcharge on n respect of the erates prescribed A of Part III of c, if such income total income,	
		whichever is higher;		
	(ii) on the income by way of interest payable on a tax-free security	15 per cent.	2·25 per cent.	
2.	In the case of a company—			
	(a) where the company is a domestic company—			
	(i) on income by way of interest other than "Interest on securities"	20 per cent.	1 per cent.;	
	(ii) on any other income (excluding interest payable on a tax-free security)	22 per cent.	1 per cent.;	
	(b) where the company is not a domestic company—			
	(i) on the income by way of dividends payable by any domestic company	24.5 per cent.	1 · 225 per cent.	

,	Income-tax	
•	Rate of income-tax	Rate of Surcharge
(ii) on the income by way of royal-	(1), (1)	
ties payable by an Indian concern in	1 71	(
pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961, and which has been		:
approved by the Central Government (iii) on the income by way of fees payable by an Indian concern for render-	50 per cent.	2.5 per cent.;
ing technical services in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964, and which has been approved by		e e e e e e e e e e e e e e e e e e e
the Central Government	50 per çent	· 2·5 per cent.;
(iv) on the income by way of interest payable on a tax free security	44 per cent.	2:2 per cent.;
(v) on any other income	70 per cent.	3\5 per cent.
		, r

PART III

Rates for calculating or charging income-tax in certain cases, deducting income-tax from income chargeable under the head "Salaries" or any payment referred to in sub-section (9) of section 80E and computing "advance tax".

In cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or deducted under sub-section (9) of section 80E of the said Act from any payment referred to in the said sub-section (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" (not being "advance tax" in respect of any income chargeable to tax under section 164 of the Income-tax Act at the rate of sixty-five per cent.) shall be so calculated, charged, deducted or computed at the following rate or rates:—

Paragraph A

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, not being a case to which any other Paragraph of this Part applies,—

Rates of income-tax

(1) where the total income does not exceed Rs. 5,000

- (2) where the total income exceeds 10 per cent. of the amount by which Rs. 5,000 but does not exceed Rs. 10,000 the total income exceeds Rs. 5,000;
- (3) where the total income exceeds Rs. 500 plus 17 per cent of the amount Rs. 10,000 but does not exceed Rs. 15,000 by which the total income exceeds Rs. 10,000;
- (4) where the total income exceeds Rs. 1,350 plus 23 per cent. of the amount Rs. 15,000 but does not exceed Rs. 20,000 by which the total income exceeds R. 15,000;
 - (5) where the total income exceeds Rs. 2,500 plus 30 per cent. of the Rs. 20,000 but does not exceed Rs. 25,000 amount by which the total income
 - exceeds Rs. 20,000;
 (6) where the total income exceeds Rs. 4,000 plus 40 per cent. of the
- Rs. 25,000 but does not exceed amount by which the itotal income exceeds Rs. 25,000;
 - (7) where the total income exceeds Rs. 6,000 plus 50 per cent. of the Rs. 30,000 but does not exceed Rs. 40,000 amount by which the total income exceeds Rs. 30,000;
- (8) where the total income exceeds Rs. 11,000 plus 60 per cent. for the Rs. 40,000 but does not exceed Rs. 60,000 amount by which the total income exceeds Rs. 40,000;
- (9) where the total income exceeds Rs. 23,000 plus 70 per cent. of the Rs 60,000 but does not exceed Rs. amount by which the total income exceeds Rs. 60,000;
- (10) where the total income exceeds Rs. 37,000 plus 75 per cent, of the amount Rs. 80,000 but does not exceed Rs. by which the total income exceeds 1,00,000, Rs. 80,000;
- (11) where the total income exceeds Rs. 52,000 plus 80 per cent. of the Rs. 1,00,000 but does not exceed Rs. amount by which the total income exceeds Rs. 1,00,000;
- (12) where the total income exceeds Rs. 1,32,000 plus 85 per cent. of the Rs. 2,00,000 amount by which the total income exceeds Rs. 2,00,000;

Provided that for the purposes of this Paragraph, in the case of a Hindu undivided family which at any time during the previous year relevant to the assessment year commencing on the 1st day of April, 1973 satisfies either of the following two conditions, namely:—

- (a) that it has at least two members entitled to claim partition who are not less than eighteen years of age, or
- (b) that it has at least two members entitled to claim partition who are not lineally descended one from the other and who are not lineally descended from any other living member of the family,—
 - (i) no income-tax shall be payable on a total income not exceeding Rs. 7,000;
 - (ii) where the total income exceeds Rs. 7,000 but does not exceed Rs. 7,660, the income-tax payable thereon shall not exceed forty per cent. of the amount by which the total income exceeds Rs. 7,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge for purposes of the Union calculated at the following rates, namely:—

- (a) in a case where the total income 10 per cent; does not exceed Rs. 15,000
 - (b) in any other case

15 per cent:

Provided that the amount of surcharge payable shall, in no case, exceed the aggregate of the following sums, namely:—

- (i) an amount calculated at the rate of 10 per cent. on the amount of income-tax on an income of Rs. 15,000, if such income had been the total income (the income of Rs. 15,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the person concerned); and
- (ii) 40 per cent. of the amount by which the total income exceeds Rs. 15,000.

Paragraph B

In the case of every co-operative society,-

Rates of income-tax

- (1) where the total income does 15 per cent of the total income; not exceed Rs. 10,000
- (2) where the total income exceeds Rs. 1,500 plus 25 per cent. of the amount by which the total income exceeds Rs. 10,000;
- Rs. 20,000 Rs. 4,000 plus 40 per cent. of the amount by which the total income exceeds Rs. 20,000.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Paragraph C

In the case of every registered firm,-

Rates of income-tax

- (1) where the total income does not exceed Rs. 10,000
- Nil;
- (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 4 per cent of the amount by which the total income exceeds Rs. 10,000; 25,000

- (3) where the total income exceeds Rs. 25, 000 but does not exceed Rs. 50,000
- Rs. 600 plus 6 per cent. of the amount by which the total income exceeds Rs. 25,000;
- (4) where the total income exceeds Rs. 50, 000 but does not exceed Rs. 1,00,000
- Rs. 2,100 plus 12 per cent, of the amount by which the total income exceeds Rs. 50,000;
- (5) where the total income exceeds Rs 8,100 plus 20 per cent. of the amount Rs. 1,00,000 by which the total income exceeds Rs. 1,00,000.

Surcharges on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by the aggregate of surcharges for purposes of the Union calculated as specified hereunder:—

- (a) in the case of a registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income, a surcharge calculated at the rate of ten per cent. of the amount of income-tax computed at the rate hereinbefore specified;
- (b) in the case of any other registered firm, a surcharge calculated at the rate of twenty per cent. of the amount of income-tax computed at the rate hereinbefore specified; and
- (c) a special surcharge calculated at the rate of fifteen per cent. on the aggregate of the following amounts, namely:—
- (i) the amount of income-tax computed at the rate here-inbefore specified; and
 - (ii) the amount of the surcharge calculated in accordance with clause (a), or, as the case may be, clause (b) of this subparagraph.

Explanation.—For the purposes of this Paragraph, "registered firm" includes an unregistred firm assessed as a registered firm under clause (b) of section 183 of the Income-tax Act.

Paragraph D

In the case of every local authority,--

Rate of income-tax

On the whole of the total income

50 per cent.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Paragraph E.

In the case of the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956,-

31 of 1956.

Rates of income-tax

- (i) on that part of its total income 52.5 per cent.; which consists of profits and gains from life insurance business
- (ii) on the balance, if any, of the the rate of income-tax applicable, in accordance with Paragraph F of this total income Part, to the total income of a domes-1 tic company which is a company in which the public are substantially interested.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge calculated at the rate of five per cent, of such income-tax.

Paragraph F

In the case of a company, other than the Life Insurance Corporation 31 of 1956 of India established under the Life Insurance Corporation Act, 1956,-

Rates of income-tax

- I. In the case of a domestic company,—
- (1) where the company is a company in which the public are substantially interested,-
- (i) in a case where the total income does not exceed Rs. 50,000

45 per cent. of the total income;

55 per cent. of the totallincome;

- (ii) in a case where the total income exceeds Rs. 50,000
- (2) where the company is not
- a company in which the public are substantially interested,-
- (i) in the case of an industrial company--
- (a) on so much of the total income as does not exceed Rs. 10,00,000

55 per cent;

(b) on the balance, if any, of the total income

бо percent;

(ii) in any other case 65 per cent. of the total income:

Provided that the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 50,000, shall not exceed the aggregate of-

- (a) the income-tax which would have been payable by the company if its total income had been Rs. 50,000 (the income of Rs. 50,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and
- (b) eighty per cent. of the amount by which its total income exceeds Rs. 50,000.

II. In the case of a company other than a domestic company—

- (i) on so much of the total income as consists of—
- (a) royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31 st day of March, 1961, or
- (b) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964.

and where such agreement has, in either case, been approved by the Central Government

50 per cent;

(ii) on the balance, if any, of the total in- 70 per cent. come

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge calculated at the rate of five per cent. of such income-tax.

THE SECOND SCHEDULE

(See section 61)

PART I

In the First Schedule to the Tariff Act, in Item No. 28 (28) (b), for each of the entires in the fifth and sixth columns, the entry "60 per cent, ad valorem." shall be substituted.

PART II

Item No.	Name of article	Nature of duty	rate of t duty	Preferential rate of duty if the article is the produce or manufacture of		
				The United King dom	A British Colony	
I	2	3	4	5	6	7
			Rs. 14·40		Rs. 14·40	, , ,

THE THIRD SCHEDULE

[See section 64(c)]

PART I

In the First Schedule to the Central Excises Act,—

- (i) in Item No. 1A, for each of the entries in the third column against sub-items (1) and (4), the entry "One rupee per kilogram." shall be substituted;
- (ii) in Item No. 1D, for the entry in the third column, the entry "Twenty per cent. ad valorem." shall be substituted;
- (iii) in Item No. 2, for the entry in the third column against subitem (1), the entry "One hundred rupees per quintal." shall be substituted;

(iv) in Item No. 4,—

- (a) Under "I Unmanufactured Tobacco—", for the entries in the third column against sub-items (1), (2), (3), (4), (5), (6) and (8), the entries "Five rupees.", "Forty rupees.", "Four rupees.", "Four rupees." and "Fifty paise." shall, respectively, be substituted;
- (b) under "II. Manufactured tobacco—", for the entry in the third column against sub-item (2), the entry "Two hundred per cent. ad valorem." shall be substituted;
- (v) in Item No. 6, for the entry in the third column, the entry "One thousand rupees per kilolitre at fifteen degrees of Centigrade thermometer." shall be substituted;
- (vi) in Item No. 7, for the entry in the third column, the entry "Three hundred rupees per kilolitre at fifteen degrees of Centigrade thermometer." shall be substituted;
- (vii) in Item No. 8, for the entry in the third column against each of the sub-items (a) and (b), the entry "Five hundred rupees per kilolitre at fifteen degrees of Centigrade thermometer." shall be substituted;
- (viii) in Item No. 9, for the entry in the third column, the entry "Two hundred rupees per kilolitre at fifteen degrees of Centigrade thermometer." shall be substituted;
- (ix) in Item No. 10, for the entry in the third column, the entry "One hundred rupees per kilolitre at fifteen degrees of Centigrade thermometer." shall be substituted;
- (x) in Item No. 11, for the entry in the third column against each of the sub-items (1) and (2), the entry "One hundred rupees per metric tonne." shall be substituted;
- (xi) in Item No. 12, for the entry in the third column, the entry "One hundred rupees per metric tonne." shall be substituted;

- (xii) in Item No. 14, for the entries in the third column against sub-items I(1) (i), I(1) (ii), I(2), I(3) (i), I(3) (ii), I(3) (iii), I(3) (iv), I(4) (i), I(4) (ii), I(4) (iii), I(4A), I(5), II(i), II(ii), III(i), III (ii), III (ii) and III(iii), the entries "Thirty rupees per quintal.", "One hundred rupees per quintal.", "Twenty-five rupees per quintal.", "Forty rupees per quintal.", "Thirty paise per litre.", "One rupee and fifty paise per litre.", "One rupee per litre.", "Three hundred rupees per quintal.", "One rupee per litre, if in liquid form and Thirty rupees per quintal if in any other form.", "Fifty paise per litre.", "Twenty-five paise per litre.", "Two rupees and fifty paise per litre.", "One hundred rupees' per quintal." and "Two rupees and fifty paise per litre." shall, respectively, be substituted;
- (xiii) in Item No. 14BB, for the entry in the third column, the entry "Twenty per cent. ad valorem." shall be substituted;
- (xiv) in Item No. 14C, for the entry in the third column, the entry "Twenty rupees per quintal." shall be substituted;
- (xv) in each of the Item Nos. 14D and 14DD, for the entry in the third column, the entry "Twenty per cent. ad valorem." shall be substituted;
- (xvi) in Item No. 14F, for the entry in the third column, the entry "Thirty per cent. ad valorem." shall be substituted;
- (xvii) in Item No. 14HH, for the entry in the third column, the entry 'Fifteen per cent. ad valorem.' shall be substituted;
- (xviii) in Item No. 15, for the entries in the third column against sub-items I(1), I(2) and II, the entries "Ten per cent. ad valorem." "Twenty per cent. ad valorem." and "Ten per cent. ad valorem." shall, respectively, be substituted;
- (xix) in Item No. 15A, for the entries in the third column against sub-items (1), (2), (3) and (4), the entries "Forty per cent. ad valorem." "Forty per cent. ad valorem.", "Fifty per cent. ad valorem.", and "Fifty per cent. ad valorem." shall, respectively, be substituted:
- (xx) in Item No. 16, for the entries in the third column against sub-items (1) and (3), the entries "Fifty per cent. ad valorem." and "Twenty per cent. ad valorem." shall, respectively, be substituted
- (xxi) in Item No. 16A, for the entries in the third column against sub-items (1), (2), (3) and (4), the entries "Fifty per cent. ad valorem.", "Thirty per cent. ad valorem.", "Twenty per cent. ad valorem." and "Twenty per cent. ad valorem." shall, respectively, be substituted;
- (xxii) in Item No. 17, for the entries in the third column against sub-items (1), (2), (3) and (4), the entries "Two rupees per kilogram.", "One rupee per kilogram." and "One rupee per kilogram." shall, respectively, be substituted;

(xxiii) in Item No. 19,—

- (a) in the second column, in the opening portion,—
 - (1) for the brackets, figures and words,-
 - "(ii) 40 per cent, or more by weight of silk; or
 - (iii) 60 per cent. or more by weight of rayon or artificial silk

the brackets, figures and words,-

- "(ii) 40 per cent, or more by weight of silk;
- (iii) 60 per cent. or more by weight of rayon or artificial silk;
- (iv) 50 per cent. or more by weight of jute (including Bimlipatam jute or mesta fibre):",

shall be substituted

- (2) in the proviso, for the words, brackets and figures "referred to in (i) to (iii)", the words, brackets and figures "referred to in (i) to (iv)" shall be substituted;
- (b) for the entry in the third column against sub-item I(1), the entry "Fifteen per cent. ad valorem." shall be substituted;

(xxiv) in Item No. 20,-

- (a) in the second column, in the opening portion,-
 - (1) for the brackets, figures and words,--
 - "(iii) if it contains no cotton and no artificial silk and less than 40 per cent. by weight of silk; or
 - (iv) if manufactured on a handloom:",

the brackets, figures and words,—

- "(iii) if it contains no cotton and no artificial silk and less than 40 per cent. by weight of silk;
- (iv) if it contains 50 per cent, or more by weight of jute (including Bimlipatam jute or mesta fibre); or
 - (v) if manufactured on a handloom:",

shall be substituted;

(2) in the proviso, for the words, brackets and figures "referred to in (i) to (iv)", the words, brackets and figures "referred to in (i) to (v)" shall be substituted;

(b) for the entry in the third column against sub-item (1), the entry "Fifty paise per square metre." shall be substituted;

(xxv) in Item No. 21, for the entry in the third column against sub-item (1), the entry "Ten per cent. ad valorem." shall be substituted;

(xxvi) in Item No. 22, —

- (a) in the second column, in the opening portion,—
 - (1) for the brackets, figures and words,---
 - "(iii) if it contains cotton and less than 60 per cent. by weight of rayon or artificial silk; or
 - (iv) if it contains no cotton and less than 40 per cent. by weight of wool and less than 40 per cent. by weight of rayon or artificial silk:", or

the brackets, figures and words,-

- "(iii) if it contains cotton and less than 60 per cent. by weight of rayon or artificial silk; or
- (iv) if it contains no cotton and less than 40 per cent. by weight of wool and less than 40 per cent. by weight of rayon or artificial silk; or
- (v) if it contains 50 per cent. or more by weight of jute (including Bimlipatam jute or mesta fibre):",

shall be substituted;

- (2) in the proviso, for the words, brackets and figures "referred to in (i) to (iv)", the words, brackets and figures "referred to in (i) to (v)" shall be substituted;
- (b) for the entry in the third column against sub-item (1), the entry "Twenty per cent. ad valorem plus rupees five per square metre." shall be substituted;
- (xxvii) in Item No. 23, for the entry in the third column, the entry "Twenty-five per cent. ad valorem." shall be substituted;
- (xxviii) in Item No. 23A, for the entries in the third column against sub-items (1) and (2), the entires "Twenty per cent. ad valorem." and "Ten per cent. ad valorem." shall, respectively, be substituted;
- (xxix) in Item No. 25, for the entry in the third column, the entry "Fifty rupees per metric tonne." shall be substituted;
- (xxx) in Item No. 26, for the entry in the third column, the entry "One hundred rupees per metric tonne." shall be substituted;

(xxxi) in Item No. 26AA, for the entries in the third column against sub-items (i). (ia), (ii), (iv) and (v), the entries "Seventy-five rupees per metric tonne plus the excise duty for the time being leviable on steel ingots.", "Seventy-five rupees per metric tonne plus the excise duty for the time being leviable on steel ingots.", "Five hundred rupees per metric tonne plus the excise duty for the time being leviable on steel ingots.", "Five hundred rupees per metric tonne plus the excise duty for the time being leviable on steel ingots.", "Five hundred rupees per metric tonne plus the excise duty for the time being leviable on plg iron or steel ingots, as the case may be." and "Two hundred rupees per metric tonne plus the excise duty for the time being leviable on steel ingots.", shall, respectively, be substituted;

(xxxii) in Item No. 27,—

- (a) in the second column, for the brackets, letter, words and figures,—
 - "(c) Foils, that is a product of thickness (excluding any backing) not exceeding 0.15 millimetre.",

the brackets, letter, words and figures,--

"(c) Foils (whether or not embossed, cut to shape, perforated, coated, printed, or backed with paper or other reinforcing material), of a thickness (excluding any backing) not exceeding 0.15 millimetre.",

shall be substituted;

(b) for each of the entries in the third column against sub-items (a) (i), (a) (ii), (b), (c), (d), (e) and (f), the entry "Thirty per cent. ad valorem." shall be substituted:

(xxxiii) in Item No. 28, for the entry in the third column, the entry "Six hundred rupees per metric tonne." shall be substituted;

(xxxiv) in Item No. 29, for the entries in the third column against sub-items (i) and (ii), the entries "Fifteen per cent. ad valorem.", and "Ten per cent. ad valorem.", shall, respectively, be substituted;

(xxxv) in Item No. 29A, for the entries in the third column against sub-items (1), (2) and (3), the entries "Sixty per cent. ad valorem.", "Sixty per cent. ad valorem." and "Seventy-five per cent. ad valorem." shall, respectively, be substituted;

(xxxvi) in Item No. 30, for the entries in the third column against sub-items (1), (2) (i), (2) (ii), (3) and (4), the entries "Twenty per cent. ad valorem.", "Fifteen per cent. ad valorem.", "Ten per per cent. ad valorem.", "Twenty per cent. ad valorem." and "Twenty per cent. ad valorem.", shall, respectively, be substituted;

(xxxvii) in Item No. 31, for the entries in the third column against sub-items (1), (2) and (3), the entries "Twenty per cent. ad valorem.", "Twenty per cent ad valorem." and "Twenty-five per cent. ad valorem.", shall, respectively, be substituted;

(xxxviii) in Item No. 33, for the entries in the third column against sub-items (1), (2) and (3), the entries "Ten per cent. ad valorem.", "Fifteen per cent. ad valorem." and "Fifteen per cent. ad valorem." shall, respectively, be substituted;

(xxxix) in Item No. 33B, for the entry in the third column against sub-item (ii), the entry "Ten per cent. ad valorem." shall be substituted;

- (xl) in Item No. 34, for the entries in the third column against sub-items (1), (2), (3), (3a) and (4), the entries "Two hundred and fifty rupees each or ten per cent. ad valorem, whichever is higher.", "One thousand and five hundred rupees each or fifteen per cent. ad valorem, whichever is higher.", "Four thousand rupees each or twenty per cent. ad valorem, whichever is higher.", "Fifteen per cent. ad valorem.", and "Three thousand rupees each or fifteen per cent. ad valorem, whichever is higher.", shall, respectively, be substituted;
- (xli) in Item No. 37, under "II. Exposed.—", for the entries in the second and third columns, the following entries shall be substituted, namely:—

	Of a width of 30 mm or higher	below 30 mm in width
	One rupce per metre.	Fifty paise per metre
shorts, and films otherwise specified.	,	One rupee per metre.";
Description of g	oods	Rate of duty
(2)		(3)
	shorts, and films otherwise specified. PA Description of g	ws-reels and shorts One rupce per metre. Exceeding 500 metres. ture films, advertise- Two rupees per metre shorts, and films otherwise specified. PART II Description of goods

In the First Schedule to the Central Excises Act,—

- (i) in Item No. 4, under "II. Manufactured tobacco—", for subitem (1), the following sub-item shall be substituted, namely:—
 - "(I) Cigars and cheroots Twenty-fiv

Twenty-five rupees per hundred.";

- (ii) for Item No. 11A, the following Item shall be substituted, namely:—
- "11A ALL PRODUCTS DERIVED FROM REFINING OF CRUDE PETROLEUM OR SHALE (WHETHER GASEOUS, LIQUID, SEMI-SOLID OR SOLID IN FORM), NOT OTHERWISE SPECIFIED INCLUDING REFINERY GASES, LUBRICATING OIL AND GREASES, WAXES AND COKE—
 - (1) Mineral turnpentine oil

Twenty per cent. ad valorem plus one hundred rupees per metric tonnes

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)
	(2) Liquefied petroleum gas	Two hundred and fifty rupees per metric tonne.
	(3) Waxes	Twenty per cent. ad valorem plus two hundred rupees per metric tonne.
	(4) Others	Twenty per cent. ad valorem.";

(iii) for Item No. 11B, the following Item shall be substituted, namely:—

'11B BLENDED OR COMPOUNDED Twenty per cent. ad valorem.'; LUBRICATING OILS AND GREASES—

> "Blended or compounded lubricating oils and greases" means lubricating oils and greases obtained by straight blending of mineral oils, or by blending or compounding of mineral oils with any other ingredients.

> Explanation.—The expression "mineral oil" has the meaning assigned to it in Explanation I to ITem No. 6.

(iv) for Item No. 18, the following Item shall be substituted, namely:—

'18

RAYON AND SYNTHETIC FIBRES AND YARN, IN OR IN RELATION TO THE MANUFACTURE OF WHICH ANY PROCESS IS ORDINARILY CARRIED ON WITH THE AID OF POWER.

Sixty rupees per kilggram

Explanation.—"Rayon and synthetic fibres and yarn" shall be deemed to include—

- (i) man-made fibres;
- (ii) spun (discontinuous) yarn containing not less than ninety per cent. by weight of man-made fibres calculated on the total fibre content;
- (iii) man-made filament (continuous) yarn; and
 - (iv) man-made metallic yarn.

Irem No. Description of goods Rate of duty

1 2 3

(v) for Item No. 18A, the following Item shall be substitute namely:—

THREAD, ALL SORTS,
CONTAINING NOT LESS
THAN NINETY PER CENT.
BY WEIGHT OF COTTON
CALCULATED ON THE
TOTAL FIBRE CONTENT,
WHETHER SIZED OR UNSIZED
IN ALL FORMS INCLUDING
SKEINS, HANKS, COPS,
CONES, BOBBINS, PIRNS,
SPOOLS, REELS, CHEESES,
BALLS OR ON WARP BEAMS,
IN OR ON RELATION TO THE
MANUFACTURE OF WHICH
ANY PROCESS IS ORDINARILY

CARRIED ON WITH THE AID OF POWER —

(1) of counts 29 or more

Five rupees per kilogram.

(2) of counts less than 29.

One rupee per kilogram.';

- Explanation.—(1) "Count" means the size of grey yarn (excluding any sizing material) expressed as the number of 1000 metre hanks per one-half kilogram.
- (2) For multiple-fold yarn, "count" means to count of the basic single yarn.
- (vi) for Item No. 18B, the following Item shall be substituted, namely:—
- '18B. WOOLLEN YARN, ALL SORT'S
 INCLUDING KNITTING
 WOOL, CONTAINING NOT
 LESS THAN NINETY PER
 CENT BY WEIGHT OF WOOL
 CALCULATED ON THE TOTAL
 FIBRE CONTENT, IN OR IN
 RELATION TO THE MANUFACTURE OF WHICH ANY
 PROCESS IS ORDINARILY
 CARRIED ON WITH THE
 AID OF POWER—
 - (r) Worsted yarn-
 - (a) of 48s counts and more

Thirty per cent. ad valorem.

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Item N	o. Description of goods	Rate of duty	
(1)	(2)	(3)	
	(b) of less than 48s counts (2) Others	Twenty per cent. ad valorem. Ten per cent. ad valorem. ';	
	Explanation.—"Count" means the size of single yarn expressed as the number of 560 yard hanks per pound.		
	(vii) after Item No. 18B, the namely:—	following Items shall be inserted	
"18C	SILK YARN, ALL SORTS, CONTAINING NOT LESS THAN NINETY PER CENT BY WEIGHT OF SILK (INCLUDING SILK NOIL) CALCULATED ON THE TOTAL FIBRE CONTENT, IN OR IN RELATION TO THE MANUFACTURE OF WHICH ANY PROCESS IS ORDINARILY CARRIED ON WITH THE AID OF POWER.	Twenty per cent. advalorem.	
18D	JUTE TWIST, YARN, THREAD ROPE AND TWINE, ALL SORTS, CONTAINING NOT LESS THAN NINETY PER CENT. BY WEIGHT OF JUTE (INCLUDING BIMLIPATAM JUTE OR MESTA FIBRE) CALCULATED ON THE TOTAL FIBRE CONTENT, IN OR IN RELATION TO THE MANUFACTURE OF WHICH ANY PROCESS IS ORDINARILY CARRIED ON WITH THE AID OF POWER.	Four hundred rupees per metric tonne.	
18E	YARN, ALL SORTS, NOT ELSEWHERE SPECIFIED, IN OR IN RELATION TO THE MANUFACTURE OF WHICH ANY PROCESS IS ORDINARILY CARRIED ON WITH THE AID OF POWER AND CONTAINING ANY TWO OR MORE OF THE FOLLOWING FIBRES, NAMELY:—	Rupees fifty per kilogram.";	
	(i) cotton; (ii) silk; (iii) wool; (iv) jute (including Bimlipatam jute or mesta fibre); and		

(v) man-made fibres.

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

(viii) for Item No. 22A, the following Item shall be substituted namely:—

- "22A JUTE MANUFACTURES (IN-CLUDING MANUFAC-TURES OF BIMLIPATAM JUTE OR OF MESTA FIBRE), ALL SORTS, NOT ELSE-WHERE SPECIFIED, BUT EXCLUDING ANY SUCH MANUFACTURE—
 - (i) if it contains 40 per cent.
 or more by weight of wool; or
 - (ii) if it contains no wool or less than 40 per cent. by weight of wool and less than 50 per cent. by weight of jute (including Bimlipatam jute or mesta fibre)—
 - (I) Hessians

Six hundred rupees per metric tonne.

(2) Others

Four hundred rupees per metric tonne.";

(ix) after Item No. 22A, the following Item shall be inserted, namely:—

"22AA TEXTILE FABRICS NOT ELSEWHERE SPECIFIED, AND CONTAINING ANY TWO OR MORE OF THE FOLLOWING FIBRES, NAMELY:—

Fifteen per cent. ad valorem.";

- (i) cotton;
- (ii) silk;
- (iii) wool;
- (iv) jute (including Bimlipatam jute or mesta fibre); and
- (v) man-made fibres.
- (x) for Item No. 33A, the following Item shall be substituted, namely:—
- "33A WIRELESS RECEIVING SETS
 ALL SORTS, INCLUDING
 TRANSISTOR SETS AND
 RADIOGRAMS, WITH OR
 WITHOUT LOUDSPEAKER---
 - (1) Broadcast television re- Twenty per cent. ad valorem. ceiver sets
 - (2) Others

Three hundred rupees per set.";

Item No.	Description of goods	Rate of duty	~~
(1)	(2)	(3)	

(xi) for Item No. 37B, the following Item shall be substituted, namely:—

57B CINEMATOGRAPH PROJEC-TORS AND PARTS THERE-OF-

(2) Parts thereof

(1) Cinematograph projectors Twenty per cent. ad valorem. Thirty per cent. ad valorem.";

Explanation.-For the purposes of this Item, "Cineprojectors' matograph means cinematograph projectors whether in a completely assembled condition or otherwise.

THE FOURTH SCHEDULE

(See section 66)

In the First Schedule to the Additional Duties of Excise Act,-

(i) in Item No. 4,—

- (a) under "I. Unmanufactured tobacco-", for the entries in the third column against sub-items (1), (2), (3), (4), (5), (6) and (8), the entries "Sixty paise.", "Five rupees and fifty paise. ", "One rupee. ", "Fifty paise. ", "Fifty paise. ", "Seventyfive paise." and "Ten paise." shall, respectively, be substituted;
- (b) under "II. Manufactured tobacco-", for the entry in the third column against sub-item (2), the entry "One hundred per cent. ad valorem." shall be substituted;
- (ii) in Item No. 22, for the entry in the third column against sub-item (1), the entry "Seven and a half per cent. ad valorem plus two rupees per square metre." shall be substituted.

THE FIFTH SCHEDULE

(See section 67)

In the Table annexed to sub-section (1) of section 3 of the Mineral Products Act,-

- (i) for the entry in the second column against item 3, the entry "Eight hundred and fifty rupees per kilolitre at fifteen degrees of Centigrade thermometer," shall be substituted;
- (ii) for the entry in the second column against item 7, the entry "Eight hundred and fifty rupees per metric tonne." shall be substituted.

STATEMENT OF OBJECTS AND REASONS

The object of the Bill is to give effect to the financial proposals of the Central Government for the financial year 1972-73. The notes on clauses explain the various provisions contained in the Bill.

NEW DELHI;

Y. B. CHAVAN.

The 16th March, 1972.

PRESIDENT'S RECOMMENDATION UNDER ARTICLES 117 AND 274 OF THE CONSTITUTION OF INDIA

[Copy of letter No. F. 3(28)-B/72, dated the 16th March, 1972 from Shri Y. B. Chavan, Minister of Finance to the Secretary, Lok Sabha.]

The President, having been informed of the subject matter of the proposed Bill, recommends under article 117(1) and (3) read with article 274(1) of the Constitution of India, the introduction of the Finance Bill, 1972 to the Lok Sabha and also recommends to the Lok Sabha the consideration of the Bill.

2. The Bill will be introduced in the Lok Sabha immediately after the presentation of the Budget on the 16th March, 1972.

Notes on clauses

Clause 2, read with the First Schedule to the Bill, seeks to prescribe the rates at which income-tax, including surcharges thereon, is to be levied on incomes chargeable to tax for the assessment year 1972-73. Further, it lays down the rates at which tax is to be deducted at source during the financial year 1972-73 from incomes (other than income comprised in payments made to contractors and sub-contractors) subject to such deduction under the Income-tax Act; and the rates at which "advance tax" is to be paid and tax is to be calculated or charged in special cases for the financial year 1972-73.

Rates of income-tax for the assessment year 1972-73.—The rates of income-tax (including surcharges) in the case of non-corporate taxpayers on incomes liable to tax for the assessment year 1972-73 are the same as those specified in Part III of the First Schedule to the Finance (No. 2) Act, 1971 for purposes of deduction of tax at source from "Salaries" and for computation of "advance tax" payable during the financial year 1971-72. In the case of corporate taxpayers, the rates of basic income-tax on incomes liable to tax for the assessment year 1972-73 are the same as those laid down in Part III of the First Schedule to the Finance (No. 2) Act, 1971 for purposes of computing "advance tax" payable by companies during the financial year 1971-72. The income-tax payable by companies will, however, be increased by a surcharge thereon calculated at the rate of 2.5 per cent. These rates have been specified in Part I of the First Schedule to the Bill.

Rates for deduction of tax at source during the financial year 1972-73 from incomes other than "Salaries".—Part II of the First Schedule to the Bill specifies the rates at which income-tax (including surcharge where applicable) is to be deducted at source during the financial year 1972-73 from incomes other than "Salaries" and the retirement annuities referred to in section 80E(9) of the Income-tax Act. These rates vary in certain respects from the rates specified in Part II of the First Schedule to the Finance (No. 2) Act, 1971 for deduction of tax at source from incomes other than "Salaries" and retirement annuities during the financial year 1971-72. The Finance (No. 2) Act, 1971 did not prescribe any rate for deduction of income-tax at source from income by way of lottery winnings and prizes in cross-word puzzles. The Bill provides for the deduction of income-tax in respect of such incomes, in the case of resident recipients other than companies, at the rate of 34.5 per cent (which is made up of basic incometax 30 per cent and surcharge 4.5 per cent.). The rates for deduction of income-tax from incomes payable to domestic as well as foreign companies are being enhanced in the context of the provision in the Bill providing for the levy of surcharge on income-tax payable by all companies. In respect of income by way of interest other than "Interest on securities" payable to a domestic company, tax will be deducted at the rate of 21 per cent. (made up of income-tax at 20 per cent, and surcharge at 1 per cent.) as against 20 per cent. formerly. Similarly, in respect of any other income (excluding interest payable on a tax free security), tax will be deducted at the rate of 23 per cent. (made up of income-tax at 22 per cent and surcharge at 1 per cent.) as against 22 per cent. hitherto. In respect of dividends payable by a domestic company on shares in that company held by a foreign company tax will be deducted at the rate of 25.725 per cent. (made up of income-tax at 24.5 per cent and surcharge at 1.225 per cent) as against 24.5 per cent formerly. In respect of income by way of royalties and technical service fees payable by an Indian concern to a foreign company under approved agreement, tax will be deducted at the rate of 52.5 per cent (made up of income-tax at 50 per cent. and surcharge at 2.5 per cent) as against 50 per cent during the financial year 1971-72. In respect of income by way of interest payable on a tax free security to a foreign company, tax will be deducted at the rate of 46.2 per cent (made up of income-tax at 44 per cent and surcharge at 2.2 per cent) as against 44 per cent formerly. Similarly, in respect of other incomes payable to a foreign company, tax will be deducted at the rate of 73.5 per cent (made up of income-tax at 70 per cent and surcharge at 3.5 per cent) as against 70 per cent during the financial year 1971-72.

Rates for deduction of tax at source from "Salaries" and retirement annuities, computation of "advance tax" and charging of income-tax in special cases during the financial year 1972-73.—The rates at which income-tax (including surcharges) is to be deducted at source from "Salaries" and retirement annuities referred to in section 80E(9) of the Income-tax Act, and also the rates at which advance tax is to be paid and income-tax is to be calculated or charged in special cases for the financial year 1972-73 in the case of non-corporate taxpayers, are the same as those specified in Part III of the First Schedule to the Finance (No. 2) Act, 1971 for similar purposes.

In the case of Life Insurance Corporation of India and other companies, the basic rates of income-tax specified in Fort III of the First Schedule for the computation of "advance tan" are the same as those specified for the purposes of levy of tax on income assessable—for the assessment year 1972-73. The income-tax phyable by the Life Insurance Corporation and other companies will, however, be increased by a surcharge thereon at the rate of 5 per cent.

Clause 3.-

Sub-clause (a) reeks to amend, with effect from 1st April, 1973, clause (14) of section 2 of the Income-tax Act relating to the definition of the term "capital asset". The effect of this amendment will be that jewellery will also be treated as a capital asset and profits and gains arising from the transfer of jewellery will be liable to tax as income under the head "Capital gains". The expression "jewellery" will include—

(a) ornaments made of gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals, whether or not containing any precious or semi-precious stone, and whether or not worked or sewn into any wearing apparel;

(b) precious or semi-precious stones, whether or not set in any furniture, utensil or other article or worked or sewn into any wearing apparel.

Sub-clause (b) seeks to make two amendments in clause (24) of section 2 of the Income-tax Act which defines "income".

Under the first amendment, voluntary contributions received by a charitable or religious trust or institution, regardless of whether such trust or institution, has been created or established wholly or partly for charitable or religious purposes, will be regarded as income. Contributions received with a specific direction that they shall form part of the corpus of the trust or institution will, however, not be treated as income. It is being specifically clarified that the term "trust" will include any other legal obligation. This amendment will take effect from the 1st April, 1973 and will accordingly apply in relation to the assessment year 1973-74 and subsequent years.

The second amendment seeks to extend, with effect from 1st April, 1972, the definition of "income" so as to include within its scope winnings from lotteries, crossword puzzles, races including horse races, card games, other games of any sort or from gambling or betting.

Sub-clause (c) seeks to amend clause (37A) of section 2 of the Income-tax Act. The amendment is consequential to the insertion of new section 194B in the Income-tax Act under clause 28 of the Bill. Under this amendment, the rates in force for the purposes of deduction of income-tax at source from winnings from lotteries and crossword puzzles will be those specified in this behalf in the relevant Finance Act. This amendment will take effect from 1st April, 1972

Clause 4.—This clause seeks to amend section 10 of the Income-tax Act relating to incomes not included in the total income.

Sub-clause (a) seeks to substitute, with effect from 1st April, 1972, the existing clause (3) of section 10 by a new clause. Under the new clause (3), receipts of a casual and non-recurring nature (other than lottery winnings) will qualify for exemption only up to Rs. 1,000 in the aggregate and the balance will be chargeable to tax. The exemption of the first Rs. 1,000 of income will, however, not be available in respect of capital gains, receipts arising from business or exercise of a profession or occupation as also receipts by way of additions to remuneration of an employee, as at present.

Lottery winnings have been excluded in view of the position that, in the case of non-corporate taxpayers, lottery winnings up to Rs. 5,000 will be allowed as an outright deduction in determining the taxable income under the new section 80V proposed to be inserted under clause 22 of the Bill.

In view of the specific provision being made under clause 59 of the Bill, casual and non-recurring receipts will continue to be exempt from income tax for the assessment year 1972-73 in the same manner as hitherto.

Sub-clause (b) seeks to amend clause (10) of section 10 of the Incometax Act. Under the amendments, exemption from income-tax in respect of gratituties received by employees of statutory corporations and employees in the private sector will be available only if such gratuities are received on retirement, in capacitation or death of the employee or on termination of his employment. The exempt amount of gratuities in the case of both categories of employees will be subject to a ceiling limit of one-half month's salary for each year of completed service, calculated on the basis of the average salary for the three years immediately preceding the year in which the gratuity is paid, or 15 months' salary so calculated or Rs. 24,000, whichever is the least. The amendments will come into force with effect from the 1st April, 1973 and will accordingly apply in relation to the assessment year 1973-74 and subsequent years.

Sub-clause (c) seeks to amend clause (25) of section 10 of the Incometax Act. Under this amendment, income of approved gratuity funds will be exempt from income-tax with effect from the assessment year 1973-74.

Clause 5.—This clause seeks to amend, with effect from the 1st April, 1973, clause (c) of sub-section (1) of section 11 of the Income-tax Act relating to income from property held under trust for charitable or religious purposes. The amendment is of a drafting nature and is for harmonising the language of the said clause (c) with the other clauses of that sub-section and new section 12 proposed to be substituted for the existing section 12 under clause 6 of the Bill.

Clause 6.—This clause seeks to substitute section 12 of the Income-tax Act, relating to income of trusts or institutions from voluntary contributions, by two new sections 12 and 12A.

Under new section 12, any voluntary contributions received by a trust created wholly for charitable or religious purposes or by an institution established wholly for such purposes shall, for purposes of section 11, be regarded as income derived from property held under trust wholly for charitable or religious purposes. Contributions made with a specific direction that they shall form part of the corpus of the trust or institution will, however, not be treated as income derived from property. The provisions of section 13 will also apply in relation to voluntary contributions in the same manner as they apply in relation to income derived from property held under trust. As a result of this provision, voluntary contributions received by charitable or religious trusts or institutions will qualify for exemption from income-tax only if the conditions specified in section 11 regarding application of income or accumulation thereof are satisfied. Further, the trust or institution will forfeit exemption from tax if any part of its income or property is applied for the benefit of the author of the trust or founder of the institution, a person who made a substantial contribution to the trust, the relatives of such author, founder, etc.

New Section 12A seeks to provide that exemption from income-tax in respect of income derived from property or by way of voluntary contributions by charitable or religious trusts or institutions will be available only if the following conditions are fulfilled:—

(i) The person in receipt of the income makes an application for registration of the trust or the institution to the Commissioner of

Income-tax before 1st July, 1973 or before the expiry of a period of one year from the date of the creation of the trust or establishment of the institution, whichever is later. (The Commissioner of Income-tax is, however, being empowered to admit, in his direction, belated applications for registration in deserving cases).

(ii) Where the total income of the trust or institution (without giving effect to the provisions of sections 11 and 12) exceeds Rs. 25,000 in any previous year, the accounts of the trust or institution for that year have been audited by a chartered accountant or any other accountant entitled to be appointed as an auditor of companies.

The new sections 12 and 12A will take effect from the 1st April, 1973 and will, accordingly, apply in relation to the assessment year 1973-74 and subsequent years.

Clause 7.—This clause seeks to make certain amendments in section 13 of the Income-tax Act relating to forfeiture of the exemption from incometax of charitable and religious trusts in certain cases.

Sub-clause (a) (i) seeks to amend sub-section (1) of section 13. Under the amendment, private religious trusts, as also charitable trusts or institutions established after 31st March, 1962 for the benefit of any particular religious community or caste, will cease to be entitled to exemption from Income-tax in respect of their income by way of voluntary contributions. Since under the new section 12 the provisions of section 13 will apply in relation to income from voluntary contributions in the same manner as they apply in relation to income derived from property held under trust, charitable or religious trusts or institutions will forfeit exemption from income-tax, also where any part of their income by way of voluntary contributions ensures or, as the case may be, is used during the previous year for the benefit of the author of the trust, the founder of the institution, a person who has made a substantial contribution thereto, their relatives, etc.

Sub-clause (b) seeks to make an amendment in the existing provision under which a charitable or religious trust or institution forfeits exemption from tax if a substantial portion of its income or property is diverted during the previous year in favour of the author, founder, substantial contributor, their relatives, etc. Under this amendment, it is being clarified that the exemption will be lost if the aggregate of the income or property diverted in favour of any such person during the previous year exceeds Rs. 1,000.

Sub-clauses (c) and (e) seek to enlarge the class of persons referred to in sub-section (3) of section 13 of the Income-tax Act by including therein trustees of trusts, managers of institutions, their relatives and concerns in which such trustees, managers and relatives have a substantial interest. The effect of these amendments will be that where any income or property of the trust or institution is used for the benefit of any trustee of the trust or manager of the institution or any relative of such trustee or manager or any concern in which such trustee, manager or relative has a substantial interest, the exemption from income-tax will be forfeited. The scope of

the expression "relative" is also being enlarged so as to include relatives through marriage.

Sub-clause (d).—The amendment is consequential to the substitution of section 12 of the Income-tax Act by a new section under clause 6 of the Bill.

Under the amendment in item (ii) of sub-clause (a), it is being clarified that in determining whether any part of the income or property of the trust or institution has been used for the benefit of any specified person during any period before 1st July, 1972, the amendments now proposed to be made in section 13 will be ignored.

These amendments will take effect from 1st April, 1973 and will, accordingly, apply in relation to the assessment year 1973-74 and subsequent years.

Clause 8 seeks to amend section 45 of the Income-tax Act relating to capital gains.

The amendment is consequential to the insertion of a new section 54C in the Income-tax Act under clause 9 of the Bill.

Clause 9 seeks to insert, with effect from 1st April, 1973, a new section 54C in the Income-tax Act. The effect of this section will be that where any jewellery held for personal use is transferred and other jewellery for personal use is acquired within six months of such transfer, any profits and gains arising from the transfer will not be liable to tax if the whole of the full value of the consideration for the transfer is used in acquiring the new jewellery. Where only a part of such consideration is used in acquiring the new jewellery, a proportionate part of the capital gain will not be liable to tax.

Clause 10 seeks to amend section 56 of the Income-tax Act relating to income from other sources. The effect of this amendment will be that winnings from lotteries, crossword puzzles, races including horse races, card games and other games of any sort and from gambling or betting will be chargeable to income-tax under the head "Income from other sources".

This amendment will take effect from 1st April, 1972, but in view of the specific provision, being made under clause 59 of the Bill, winnings from lotteries, etc., will remain exempt from income-tax for the assessment year 1972-73.

Clause 11 seeks to insert a new section 74A in the Income-tax Act. The new section makes provisions as to set off of losses from specified sources, namely, lotteries; crossword puzzles; races; card games; other games of any sort and betting or gambling of any form or nature not falling under any of the above categories. For the purpose of set off of losses, each of the above sources will be treated as a separate source and the losses from each such source would be set off only against income from that source. This amendment will take effect from 1st April, 1972.

Clause 12 seeks to amend section 75 of the Income-tax Act relating to losses of registered firms. This amendment is consequential to the insertion of new section 74A in the Income-tax Act under clause 11 of the Bill.

Clause 13 seeks to amend section 77 of the Income-tax Act relating to losses of unregistered firms or their partners. This amendment is consequential to the insertion of new section 74A in the Income-tax Act under clause 11 of the Bill.

Clause 14 seeks to amend section 80A of the Income-Act tax relating to deductions to be made in computing total income. This amendment is consequential to the insertion of a new section 80V in the Income-tax Act under clause 22 of the Bill.

Clause 15 seeks to omit with effect from 1st April, 1973 the definition of "priority industry" from section 80B relating to definitions for purposes of Chapter VIA of the Income-tax Act. The omission is consequential to the omission of section 80I of the Income-tax Act under clause 18 of the Bill.

Clause 16 seeks to amend section 80C of the Income-tax Act relating to deduction in respect of life insurance premia, contributions to provident funds, etc.

Sub-clause (a).—Under the amendments in this sub-clause, contributions made by an individual out of his income chargeable to tax for participation in the Unit-linked Insurance Plan, 1971 of the Unit Trust of India will qualify for the special deduction under section 80C in the same manner as life insurance premia, contributions to recognised provident funds, etc. Likewise, a deduction will also be available in respect of contributions made by any one member of an association of persons or body of individuals consisting only of husband and wife governed by the system of community of property in force in the Union territories of Dadra and Nagar Haveli and Goa, Daman and Diu.

Sub-clause (b).—Under the amendment in this sub-clause, where a member participating in the Unit-linked Insurance Plan withdraws from the Plan before paying contributions for a period of 5 years, no deduction will be allowed in respect of the contributions made in the year of withdrawal. Further, an amount equal to the aggregate of the deductions allowed in respect of contributions to the Plan in the past years will be included in his total income of the previous year in which he withdraws from the Plan. It is being specifically provided that, for this purpose, the deduction allowed in respect of contributions made in any previous year will be the difference between the amount by which the total deduction actually allowed for that year exceeds the deduction which would have been allowed if no such contribution had been paid in that year. In other words, the contributions shall be related to the top slab of the qualifying amount of savings in the relevant year.

These amendments will take effect from 1st April, 1973 and will accordingly apply in relation to the assessment year 1973-74 and subsequent years.

Clause 17 seeks to amend section 80G of the Income-tax Act relating to deduction in respect of donations to certain funds, charitable institutions, etc. These amendments are consequential to the substitution of section 12 of the Income-tax Act by two new sections 12 and 12A under clause 6 of the Bill.

Clause 18 seeks to omit section 80I of the Income-tax Act relating to deduction in respect of profits and gains from priority industries in the case of certain companies. The omission will take effect from 1st April, 1973 and, as such, the special deduction available to certain domestic companies of an amount equal to 5 per cent, of their profits from priority industries will not be available for the assessment year 1973-74 and subsequent years.

Clause 19 seeks to amend sub-sections (1) and (3) of section 80J of the Income-tax Act with effect from the 1st day of April, 1973. The amendments are consequential to the omission of section 80I of the Income-tax Act under clause 18 of the Bill.

Clause 20 seeks to amend section 80L of the Income-tax Act relating to deduction in respect of interest on certain securities, dividends, etc. in computing the total income of an individual or a Hindu undivided family. Under the amendment, dividends received by an assessee from a co-operative society will also be included in the categories of financial assets income from which qualifies for deduction up to Rs. 3,000 in the aggregate under this section. The amendment will take effect from 1st April, 1973 and will, therefore, apply for the assessment year 1973-74 and subsequent years.

Clause 21 seeks to omit with effect from 1st April, 1973 section 80Q of the Income-tax Act relating to deduction in respect of dividends from co-operative societies in computing the total income of the assessee. This deduction will not, therefore, be available for the assessment year 1973-74 and subsequent years. Dividends from co-operative societies will, however, qualify for inclusion in the categories of financial assets income wherefrom qualifies for deduction up to Rs. 3,000 in the aggregate in view of the amendment proposed to be made to section 80L of the Income-tax Act under clause 20 of the Bill.

Clause 22 seeks to insert a new section 80V in the Income-tax Act. Under the new section, in computing the taxable income of non-corporate assessees, the whole of the income by way of lottery winnings will be allowed as a deduction if the gross total income of the assessee does not exceed Rs. 10,000 or if the winnings do not exceed Rs. 5,000. Otherwise, the deduction will be allowed in an amount equal to Rs. 5,000 plus 50 per cent. of the balance of the income by way of lottery winnings.

This amendment will take effect from 1st April. 1972. In view of the specific provision being made under clause 59 of the Bill, lottery winnings will, however, not be chargeable to tax for the assessment year 1972-73.

Clause 23 seeks to substitute section 90 of the Income-tax Act by a new section. Under the new section, the Central Government will be empowered to enter into an agreement with the Government of a foreign

country not only for the avoidance or relief of double taxation of income under the Income-tax Act and under any corresponding law in force in that foreign country, as at present, but also for enabling the exchange of information for the prevention of evasion or avoidance of income-tax or for recovery of income-tax in either treaty country. The amendment will come into force with effect from 1st April, 1972.

Clause 24 seeks to amend section 125 of the Income-tax Act relating to powers of Commissioners respecting specified areas, cases, persons, etc This amendment is consequential to the insertion of a new section 228A under clause 39 of the Bill.

Clause 25 seeks to amend, with effect from 1st April, 1972, sections 132A, 201, 213 to 217, 220, 243 and 244 of the Income-tax Act as also rule 60 of the Second Schedule to that Act. Under these amendments, the rate of interest chargeable from or payable to assessees or other persons under the aforesaid provisions of the Income-tax Act will be increased from 9 per cent. per annum to 12 per cent. per annum.

Clause 26 seeks to amend, with effect from 1st April, 1972, section 139 of the Income-tax Act relating to furnishing of returns of income.

Sub-clause (a).—The amendment in this sub-clause seeks to provide that voluntary returns of income in the case of tax payers having income from business or profession shall be furnished within four months (as against six months under the existing law) of the close of the accounting year or by the 30th June of the assessment year, whichever is later.

Sus-clause (b) seeks to make a consequential change in sub-section (2) of section 139 necessitated by the proposed amendment to sub-section (8) of that section under sub-clause (d).

Sub-clause (c) seeks to substitute a new sub-section (4A) for the existing sub-section (4A) of section 139 of the Income-tax Act. Under the new sub-section, every person in receipt of income derived from property held under trust or other legal obligation for charitable or religious purposes or from voluntary contributions on behalf of such trust or institution will be required to furnish a return of income if the total income, ignoring the exemption under sections 11 and 12 of the Income-tax Act, exceeds the maximum amount not chargeable to income-tax.

Sub-clause (d) seeks to provide that interest for delay or default in furnishing the return of income will in all cases be charged from the expiry of the due date for furnishing such return voluntarily under section 139(1). The rate of interest chargeable for delay or default in furnishing returns of income is also being increased from 9 per cent. per annum to 12 per cent per annum. The existing provision enabling the Income-tax Officer to reduce or waive the interest payable by an assessee in such cases and under such circumstances as may be prescribed in the Income-tax Rules is being continued.

Clause 27 seeks to amend section 164 of the Income-tax Act relating to the charge of tax where share of beneficiaries is unknown. These amendments are consequential to the substitution of section 12 of the Income-tax Act by a new section under clause 6 of the Bill.

Clause 28 seeks to insert two new sections 194B and 194C in the Income-tax Act.

Under new section 194B, income-tax will be deducted at source from winnings from lotteries or crossword puzzles at the rates in force (i.e., the rates as may be prescribed in the Finance Act for the relevant year) where the payment exceeds Rs. 1,000. No deduction will, however, be made from any payment made before 1st June, 1972.

Under new section 194C, any person responsible for paying sum to any contractor (who is resident in India) for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract between such contractor and the Central or any State Government, or any local authority, statutory corporation or company, will be required to deduct income-tax at the rate of two per cent, of such sum. The deduction will have to be made at the time of the credit of the amount of the account of, or the payment (by whatever mode) to, the contractor, whichever is earlier. Likewise, every contractor, other than an individual or a Hindu undivided family, who is responsible for paying any sum to any sub-contractor (who is resident in India) in pursuance of a contract with such subcontractor for carrying out, or for the supply of labour for carrying out, the whole or any part of the work undertaken by the contractor or for supplying, whether wholly or partly, any labour which the contractor had undertaken to supply, will be required to deduct income-tax at the rate of one per cent. of such sum. No deduction under the provisions of this section would, however, be required to be made if the consideration for the contract, in either case, does not exceed thousand rupees. Further, no deduction of tax will be required to be made from any sum credited or paid before 1st June, 1972. Where the income-tax Officer is satisfied, on an application made by the contractor or the sub-contractor, that the total income of the contractor or the sub-contractor justifies the deduction of tax at any lower rate or, as the case may be, no deduction of tax, he shall give an appropriate certificate in this behalf. When such certificate is given by the income-tax Officer, the person or, as the case may be, the contractor responsible for making the payment shall, until such certificate is cancelled, deduct income-tax at the rate specified in the certificate or deduct no tax, as the case may be.

Clause 29 seeks to amend section 197 of the income-tax Act relating to certificate for deduction of income-tax at source at lower rates. This amendment is consequential to the insertion of new section 194B in the income-tax Act under clause 28 of the Bill.

Clause 30 seeks to amend sections 198, 199, 200, 202 and 203 of the Income-tax Act relating to provisions in respect of tax deducted at source. These amendments are consequential to the insertion of new sections 194B and 194C in the Income-tax Act under clause 28 of the Bill.

Clause 31 seeks to amend section 204 of the Income-tax Act, defining "person responsible for paying". This amendment is consequential to the insertion of new sections 194B and 194C in the Income-tax Act under clause 28 of the Bill.

Clause 32 seeks to amend section 205 of the Income-tax Act relating to the bar against direct demand on assessees in cases where tax has been deducted at source. This amendment is consequential to the insertion of new sections 194B and 194C in the Income-tax Act under clause 28 of the Bill.

Clause 33 seeks to amend section 207 of the Income-tax Act defining "advance tax" and "income subject to advance tax". Under this amendment, income by way of winnings from lotteries, crossword puzzles, races including horse races, card games and other games of any sort of from gambling or betting will not be included in the "income subject to advance tax". No advance tax will, therefore, be payable in respect of income from the sources referred to above. This amendment will take effect from 1st April, 1972.

Clause 34 seeks to amend section 208 of the Income-tax Act relating to condition of liability to pay "advance tax". This amendment is consequential to the amendment of section 207 of the Income-tax Act under clause 33 of the Bill.

Clause 35 seeks to amend section 209 of the Income-tax Act relating to computation of "advance tax". This amendment is consequential to the amendment of section 207 of the Income-tax Act under clause 33 of the Bill.

Clause 36 seeks to amend section 211 of the Income-tax Act relating to instalments of "advance tax". This amendment is consequential to the amendment of section 207 of the Income-tax Act under clause 33 of the Bill.

Clause 37 seeks to amend section 212 of the Income-tax Act relating to estimate of advance tax by assessees. This amendment is consequential to the amendment of section 207 of the Income-tax Act under clause 33 of the Bill.

Clause 38 seeks to amend section 215 of the Income-tax Act relating to interest payable by assessees on short payment of advance tax. This amendment is consequential to the insertion of a new section 194C in the Income-tax Act by clause 28 of the Bill.

Clause 39 seeks to insert a new section 228A in the Income-tax Act. The new section provides for the recovery of tax in pursuance of agreements with foreign countries. Sub-section (1) of the new section provides that where an agreement is entered into by the Central Government with the Government of any foreign country for recovery of income-tax under the Income-tax Act and the corresponding law in force in that foreign country, and the Government of that country or any authority under that Government (which is specified in this behalf in such agreement) sends to the Board, a certificate for recovery of any tax due to such foreign country from any person having property in India, the Board may forward such certificate to any Tax Recovery Officer within whose jurisdiction such property is situated. On receipt of such certificate, the Tax Recovery Officer will proceed to recover the amount specified in such certificate in the same manner in which he would proceed to recover the amount specified in a certificate received

from the Income-tax Officer under section 222 of the Income-tax Act. Any sum recovered by the Tax Recovery Officer will be remitted by him to the Board after deducting his expenses in connection with the recovery proceedings. Sub-section (2) of the new section provides that, notwithstanding the issue of a tax recovery certificate to the Tax Recovery Officer under section 222 of the Income-tax Act, the Income-tax Officer may, if the assessee in default has property in a foreign country with which the Central Government has entered into an agreement for the recovery of income-tax, forward to the Board a certificate specifying the amount of arrears due from the assessee. The Board may then take such action thereon as it may deem appropriate having regard to the terms of the agreement with such foreign country.

Clause 40 seeks to amend section 252 of the Income-tax Act relating to Appellate Tribunal. Under the proposed amendment, the Central Government will be empowered to appoint one or more members of the Appellate Tribunal to be the Vice-President or, as the case may be, Vice-Presidents of the Appellate Tribunal. A Vice-President shall exercise such of the powers and perform such of the functions of the President of the Tribunal as may be delegated to him by the President by a general or special order in writing.

Clause 41 seeks to amend sub-section (2) of section 295 of the Incometax Act relating to the powers of the Central Board of Direct Taxes to make rules for carrying out the purposes of that Act.

Under the amendment, the Board will be empowered to prescribe in the Income-tax Rules the circumstances in which, the conditions subject to which and the manner in which, the Appellate Assistant Commissioner may permit an appellant to produce evidence which he did not produce or which he was not allowed to produce before the Incometax Officer.

This amendment will take effect from 1st April, 1972.

Clause 42 seeks to make an amendment in the references below the heading to Part C of the Fourth Schedule to the Income-tax Act. The amendment is consequential to the amendment of section 10(25) of the Income-tax Act under clause 4(c) of the Bill.

Clause 43 seeks to omit with effect from 1st April, 1973 the Sixth Schedule to the Income-tax Act. The omission of the Sixth Schedule is consequential to the omission of section 80I of the Income-tax Act under clause 18 of the Bill.

Clause 44 seeks to amend section 2 of the Wealth-tax Act relating to definitions.

Sub-clause (a) seeks to insert a new clause in section 2 defining a "co-operative society". Under the new clause, a co-operative society is being defined as a co-operative society registered under the Co-operative Societies Act, 1912 or under any other law for the time being in force in any State for the registration of co-operative societies. The amendment will come into force retrospectively from 1st April, 1957, i.e., the date of commencement of the Act.

Sub-clause (b) seeks to make a consequential change by re-lettering the existing clause (ha) as clause (hb).

Clause 45 seeks to make certain amendments to section 5 of the Wealth-tax Act relating to exemption in respect of certain assets.

Sub-clause (a)(i).—Under this amendment, any property held by the trustees on behalf of a provident fund to which the Provident Funds Act, 1925 applies or a recognised provident fund or an approved gratuity fund or an approved superannuation fund will be altogether exempt from wealth-tax. This amendment will apply retrospectively from 1st April, 1957, i.e., the date of commencement of the Wealth-tax Act and will accordingly govern all past as well as future assessments.

Sub-clause (a)(ii) and sub-clause (b).—Under these amendments, the value of assets forming part of an industrial undertaking belonging to the assessee, as also the value of his interest in the assets forming part of an industrial undertaking belonging to a firm or an association of persons of which he is a partner or a member will be included in the categories of financial assets, investments wherein qualify for exemption from wealth-tax up to an aggregate value of Rs. 1,50,000. For this purpose, any land or building or any rights in any land or building or assets which are otherwise exempt from wealth-tax under section 5(1) of the Wealth-tax Act shall not be taken into consideration. An industrial undertaking will, for this purpose, mean an undertaking engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining.

Sub-clause (c).—Under this amendment, in a case where exemption from wealth-tax in respect of any asset is available subject to the condition that such asset should have been held by the assessee for a period of at least six months ending with the valuation date, the exemption will not be forfeited merely because such asset has not been so held if such asset has been acquired by the conversion of, or in exchange for, or with the proceeds of, or with the money constituting, any other asset exempt from wealth-tax within a period of one month of the conversion, exchange, etc.

The amendments under sub-clause (a)(ii) and sub-clauses (b) and (c) will take effect from 1st April, 1973 and will, therefore, apply for the assessment year 1973-74 and subsequent years.

Clause 46 seeks to insert a new section 21A in the Wealth-tax Act. Under the proposed section, in a case, where any part of the property or income of a charitable or religious trust or institution is used for the benefit of the founder, trustee, etc., for any period during the previous year, such a trust will be liable to pay wealth-tax on the value of its entire property at the rate of 1.5 per cent. or the rate applicable in the case of an individual, whichever is beneficial to the revenue. The provisions in this behalf are broadly on the lines of the provisions in section 13 of the Income-tax Act. Accordingly, if any funds of the trust or institution are invested for any period during the previous year in any concern in which the author, trustee, etc., has a substantial interest, it will be deemed that the income or property of the trust or institution has

been used for the benefit of the author, trustee, etc. It is, however, being specifically provided that where the investment in the concern in which the author, trustee, etc., have a substantial interest does not exceed 5 per cent. of the capital of the concern, the exemption will be forfeited only in relation to such investment and the other assets of the trust will continue to qualify for tax exemption.

Clause 47 seeks to amend, with effect from 1st April, 1972, sections 31 and 34A of the Wealth-tax Act. The amendments seek to raise the rate of interest chargeable from or payable to assessees or other persons under the aforesaid provisions from the existing rate of 9 per cent. per annum to 12 per cent. per annum.

Clause 48 seeks to amend section 32 of the Wealth-tax Act relating to mode of recovery. This amendment is consequential to the insertion of a new section 228A in the Income-tax Act and the amendment of section 44A of the Wealth-tax Act under clauses 39 and 49, respectively, of the Bill.

Clause 49 seeks to amend section 44A of the Wealth-tax Act relating to agreements for avoidance or relief of double taxation with respect to wealth-tax. The effect of the amendment will be that the Central Government will be able to enter into an agreement with the Government of a foreign country not only for the avoidance or relief of double taxation of wealth-tax chargeable under the Wealth-tax Act and a similar tax chargeable under the corresponding law in force in that foreign country, as at present, but also for enabling the exchange of information for the prevention of evasion or avoidance of wealth-tax or for recovery of such tax in the treaty countries. The amendment will take effect from 1st April, 1972.

Clause 50 seeks to amend section 45 of the Wealth-tax Act under which that Act does not apply in certain cases.

Sub-clause (a).—This amendment seeks to clarify that while wealth-tax shall not be levied in respect of the net wealth of entities enumerated in that section, the application of the other provisions of the Act (e.g., calling for evidence from such entities) will not be barred. This amendment will come into force with effect from 1st April, 1972.

Sub-clause (b).—This amendment seeks to include co-operative societies in the list of entities which are not liable to tax under the Wealth-tax Act. This amendment will come into force retrospectively from 1st April, 1957, *i.e.*, the date of commencement of the Wealth-tax Act.

Clause 51 seeks to amend section 46 of the Wealth-tax Act relating to the power of the Central Board of Direct Taxes to make rules for carrying out the purposes of that Act. Under the amendment, the Board will be empowered to prescribe in the Wealth-tax Rules the circumstances in which, the conditions subject to which and the manner in which, the Appellate Assistant Commissioner may permit an appellant to produce evidence which he did not produce or which he was not allowed to produce before the Wealth-tax Officer. This amendment will take effect from 1st April, 1972.

Clause 52 seeks to amend, with effect from 1st April, 1972, sections 32 and 33A of the Gift-tax Act. The amendments seek to raise the rate of interest chargeable from or payable to assessees or other persons under the aforesaid provisions from the existing rate of 9 per cent. per annum to 12 per cent. per annum.

Clause 53 seeks to amend section 33 of the Gift-tax Act relating to mode of recovery. This amendment is consequential to the insertion of a new section 228A in the Income-tax Act and the amendment of section 44 of the Gift-tax Act under clauses 39 and 54, respectively, of the Bill.

Clause 54 seeks to amend section 44 of the Gift-tax Act relating to agreements for avoidance or relief of double taxation with respect to gift-tax. The effect of the amendment will be that the Central Government will be able to enter into an agreement with the Government of a foreign country not only for the avoidance or relief of double taxation of gifts chargeable under the Gift-tax Act and under the corresponding law in force in that foreign country, as at present, but also for the exchange of information for the prevention of evasion or avoidance or for recovery of such tax in either treaty country. This amendment will come into force with effect from 1st April, 1972.

Clause 55 seeks to amend section 45 of the Gift-tax Act which excludes from the purview of the Gift-tax Act any gifts made, inter alia, by an institution or fund the income whereof is exempt from income-tax under section 11 of the Income-tax Act. These amendments are consequential to the substitution of section 12 of the Income-tax Act by two new sections 12 and 12A under clause 6 of the Bill. The effect of the proposed amendments will be as under:—

- (i) A charitable institution or fund will not forfeit exemption from gift-tax in respect of gifts made by it merely because (a) subsequent to the gift, any income of the institution or fund by way of voluntary contributions becomes chargeable to income-tax due to non-compliance with the provisions of section 12 of the Income-tax Act relating to the application of income to, or accumulation of income for, charitable or religious purposes in the specified manner; or (b) the institution or fund is denied exemption from income-tax by reason of the non-fulfilment of the conditions in the new section 12A relating to the filing of an application for registration with the Commissioner of Income-tax by the trust or institution or the requirement of compulsory audit of accounts by a qualified accountant.
- (ii) A charitable institution or fund will not forfeit exemption from gift-tax in respect of gifts made by it merely because such institution or fund forfeits exemption in respect of a part of its income which arises from investments made in a concern in which the founder of the institution or fund or his relatives, etc., have a substantial interest, where the aggregate of the sum invested by the institution or fund in such a concern does not exceed 5 per cent. of the capital of that concern.

These amendments will come into force with effect from 1st April, 1973 and will accordingly apply in relation to the assessment year 1973-74 and subsequent years.

Clause 56 seeks to amend section 46 of the Gift-tax Act relating to the power of the Central Board of Direct Taxes to make rules for carrying out the purposes of that Act. Under the amendment, the Board will be empowered to prescribe in the Gift-tax Rules the circumstances in which, the conditions subject to which and the manner in which the Appellate Assistant Commissioner may permit an appellant to produce evidence which he did not produce or which he was not allowed to produce before the Gift-tax Officer. The amendment will take effect from 1st April, 1972.

Clause 57 seeks to substitute section 24A of the Companies (Profits) Surtax Act, by a new section.

Under the new section, the Central Government has been empowered to enter into an agreement with the Government of any foreign country not only for the avoidance or relief of double taxation of chargeable profits under the Companies (Profits) Surtax Act and under any law relating to the taxation of income or profits in force in that foreign country, as at present, but also for enabling exchange of information for the prevention of evasion or avoidance or for recovery of such taxes in the treaty countries. The Central Government is also being empowered to make, by notification in the Official Gazette, such provisions as may be necessary for implementing such agreements. The new section will take effect from the 1st April, 1972.

Clause 58 seeks to amend section 25 of the Companies (Profits) Surtax Act relating to the power of the Central Board of Direct Taxes to make rules for carrying out the purposes of that Act. Under the amendment, the Board will be empowered to prescribe in the Companies (Profits) Surtax Rules the circumstances in which, the conditions subject to which and the manner in which, the Appellate Assistant Commissioner may permit an appellant to produce evidence which he did not produce or which he was not allowed to produce before the Income-tax Officer. The amendment will take effect from 1st April, 1972.

Clause 59 seeks to provide that notwithstanding the amendments proposed to be made to the Income-tax Act under this Bill, income by way of casual and non-recurring receipts will continue to be exempt from incometax for the assessment year 1972-73 to the same extent as hitherto.

Clause 60 seeks to clarify that the proposed increase under the provisions of the Bill in the rate of interest chargeable from or payable to assessees or other persons under the Income-tax Act, Wealth-tax Act, Gift-tax Act and the Companies (Profits) Surtax Act, from 9 per cent, per annum to 12 per cent. per annum will apply in respect of any period falling after 31st March, 1972 also in cases where the interest became chargeable or payable from an earlier date.

Clause 61 read with the Second Schedule seeks to eliminate the margin of Commonwealth preference in respect of (i) certain vitamins and vitamin preparations and (ii) drugs and medicines containing spirit.

Clause 62-

Sub-clauses (1) to (5) seek to provide for the levy of regulatory duty of customs up to the 15th day of May, 1973 on a flexible basis within the ceiling specified, for regulating or bringing greater economy in imports. Sub-clause (6) seeks to continue up to the passing of this Act, the regulatory duties of customs levied under the Finance Act, 1971 and in force immediately before the 18th March, 1972, subject to any exemption notifications.

Clause 63 seeks to continue for another year the provisions of the Indian Tariff (Amendment) Act, 1949, so as to maintain the *status quo* in regard to commitments under the General Agreement on Tariffs and Trade.

Clause 64.—Sub-clause (a) seeks to insert a new section 35A in the Central Excises and Salt Act empowering the Central Board of Excise and Customs, of its own motion or otherwise, to call for and examine the record of any proceedings in which any decision or order (not being a decision or order passed on appeal under section 35) has been passed under the Act or the rules. The power cannot however be exercised after one year from the date of the decision or order.

Sub-clause (b) seeks to amend section 36 relating to revision by Central Government so as to confer similar revisional jurisdiction on the Central Government in respect of decisions or orders passed on appeal under section 35 and on revision under section 35A.

Sub-clause (c) read with the Third Schedule, seeks-

- (a) to raise the rates of basic excise duty on-
 - (1) confectionery and chocolates;
 - (2) aerated waters;
 - (3) cured coffee;
 - (4) tobacco (unmanufactured and manufactured);
- (5) mineral fuels falling under items Nos. 6, 7, 8, 9 and 10 of the Central Excise Tariff;
 - (6) petroleum waxes;
 - (7) paints and varnishes;
 - (8) glycerine;
- (9) synthetic organic dye-stuffs; and synthetic organic products;
 - (10) cosmetics and toilet preparations; and soap;
 - (11) fertilisers;
 - (12) plastic materials, and articles thereof;
 - (13) tyres; and rubber products;
 - (14) paper;
 - (15) woollen fabrics:

- (16) cement;
- (17) sheet glass and plate glass and laboratory glassware;
- (18) iron or steel products; steel ingots; tin plates; and iron in crude form;
 - (19) aluminium;
 - (20) internal combustion engines;
- (21) electric motors and parts; electric batteries and parts; electric fans; and electric wires and cables (other than insulated wires and cables);
- (22) refrigerating and air-conditioning appliances and machinery, and parts;
 - (23) motor vehicles; and
 - (24) exposed cinematograph films;
- (b) to reduce the basic excise duty on-
 - (1) vegetable non-essential oils; and
 - (2) sodium silicate;
- (c) to change the tariff description of-
- (1) compounded lubricating oils and greases to include straight blended lubricating oils; and
 - (2) cinematograph projectors to include parts;
- (d) to change the tariff description and to raise the basic excise duty on—
 - (1) rayon and synthetic fibres and yarn; and woollen yarn;
 - (2) cotton fabrics; silk fabrics; rayon or art silk fabrics; and jute manufactures; and
 - (3) wireless receiving sets;
- (e) to change the tariff description and to reduce the basic excise duty on cotton twist, yarn and thread:
- (f) to change the basis of assessment of asphalt, bitumen and tar from value to weight.
 - (g) to create new items in the Central Excise Tariff for-
 - (1) silk yarn; jute twist, yarn, thread, rope and twine; and yarn not otherwise specified; and
 - (2) textile fabrics, not otherwise specified.

Clause 65-

Sub-clauses (1) to (5) seek to provide for levy of regulatory duties of excise up to the 15th May, 1973 on a flexible basis within the specified ceiling rate, for regulating or bringing greater economy in consumption.

Sub-clause (6) seeks to continue upto the passing of this Act, the regulatory duties of central excise levied under the Finance Act, 1971, and in force immediately before the 18th March, 1972, subject to any exemption notifications.

Clause 66 read with the Fourth Schedule seeks to amend the Additional Duties of Excise (Goods of Special Importance) Act, 1957 on (1) unmanufactured tobacco, (2) cigarettes and (3) art silk fabrics.

Clause 67 read with the Fifth Schedule seeks to raise the ceiling rates of additional excise duties leviable under the Mineral Products (Additional Duties of Excise and Customs) Act, 1958, on (1) refined diesel oils and vaporising oil; and (2) petroleum products, not otherwise specified.

Clause 68 like section 8 of the Finance Act, 1971, provides that salt shall be duty free for another year.

Clause 69 seeks to make certain amendments to the Bengal Finance (Sales Tax) Act, 1941, as in force in the Union territory of Delbi (hereinafter referred to as Delhi Act).

Sub-clause (a) seeks to amend section 5 of the Delhi Act. Under the amendment, the deduction, for the purpose of computing taxable turnover of a dealer, in respect of sales of goods required by a manufacturer for use by him as raw materials in the manufacture of taxable goods will be available only if the manufacture takes place in Delhi and the goods so manufactured are sold in the Union territory of Delhi or in the course of inter-State trade or commerce or in the course of export from that territory.

Sub-clause (b) seeks to insert six new sections 12A to 12F in the Delhi Act.

New section 12A seeks to provide that where the ownership of a business is transferred either in whole or in part by sale, gift, leave or licence, hire or in any other manner, the transferor and the transferee shall be jointly and severally liable to pay tax (including penalty) remaining unpaid at the time of the transfer. The liability of the transferee will, however, be limited to the value of the assets received by him by such transfer.

New section 12B seeks to provide for recovery of tax (including penalty) from the liquidator in the case of a company in liquidation.

New section 12C seeks to provide that in the case of a firm, the firm and each of its partners will be jointly and severally liable to pay the tax (including penalty) payable by such firm.

New section 12D seeks to provide that where the business in respect of which tax is payable, is carried on by a guardian, trustee or agent for the benefit of, or on behalf of, a minor or other incapacitated person, the tax shall be assessed upon and recoverable from such guardian, trustee or agent.

New section 12E seeks to provide that where the estate or any portion of the estate of a dealer owning business in respect of which tax is payable, is under the control of the Court of Wards, the Administrator-General, the Official Trustee or any Receiver or Manager appointed by or under any order of a Court, the tax shall be assessed upon and be recoverable from such Court of Wards, Administrator-General, Official Trustee, Receiver or Manager.

New section 12F seeks to provide that where the business carried on by a firm, association of persons or a Hindu undivided family is discontinued, every person who was at the time of such discontinuance a partner of such firm or a member of such association or family, shall be jointly and severally liable for the payment of the tax (including penalty) payable by such firm, association or family upto the time of such discontinuance. In the case of death of a dealer, the tax (including penalty) shall be payable by his legal representative. The liability of the legal representative will, however, be limited to the estate of the deceased.

Sub-clause (c) seeks to amend section 17 of the Delhi Act. The amendment is consequential to the insertion under sub-clause (b), of new section 12A in the Act.

FINANCIAL MEMORANDUM

Clause 40 of the Bill seeks to amend section 252 of the Income-tax Act to empower the Central Government to appoint one or more Members of the Income-tax Appellate Tribunal to be the Vice-President or Vice-Presidents thereof. It is proposed to have three Vice-Presidents, one at Bombay, another at Delhi and the third at Calcutta and to pay them in addition to the salary payable to them as Members a special pay of Rs. 250 per month.

Provision exists at present for the grant of a special pay (in addition to normal salary as Member) of Rs. 250 per month to the incumbents of three of the posts of Members who may be nominated for the purpose. The intention is to convern the three posts of Members carrying the special pay of Rs. 250 as posts of Vice-Presidents of the Tribunal.

Hence the provisions of the clause do not involve any additional expenditure of either a recurring or non-recurring nature.

MEMORANDUM REGARDING DELEGATED LEGISLATION

DIRECT TAXES

Clause 6 seeks to insert a new section 12A in the Income-tax Act which makes the provisions of sections 11 and 12 of the Act inapplicable to the income of any trust or institution unless it has been registered before a specified date by an application made in this behalf in such form and manner as may be prescribed by rules and, in the case of a trust or institution with a total income exceeding Rs. 25,000 in any previous year, unless the accounts of such trust or institution for that year have been audited by an accountant and the report of such audit in such form and containing such particulars as may be prescribed by rules is filed with the return of income.

Clauses 23 seeks to substitute a new section for section 90 (relating to agreement with foreign countries for the avoidance or relief of double taxation of income under the Income-tax Act and any corresponding law in force in any such foreign country) so as to enlarge the scope of that section to cover the exchange of information for the prevention of evasion or avoidance of income-tax or for recovery of income-tax in either treaty country and empowers the Central Government to make, by notification, such provisions as may be necessary for implementing the agreement. As the exact provisions to be made will depend on the terms of each agreement, the power is appropriately vested in the Central Government which will issue the notification with due regard to the provisions of the agreement. Clauses 49, 54 and 57 seek to make corresponding amendments in section 44A of the Wealth-tax Act, section 44 of the Gift-tax Act and section 24A of the Companies (Profits) Surtax Act, respectively.

Clause 26 seeks to amend section 139 of the Income-tax Act relating to return of income. The new proviso to section 139(2) proposed to be substituted by sub-clause (b) of this clause provides for the making of an application, in the manner prescribed by rules, to the Income-tax Officer for extending the date for furnishing the return.

New sub-section (4A) proposed to be substituted by sub-clause (c) of this clause for existing sub-section (4A) of section 139 of the Incometax Act, requires every person in receipt of income derived from property held under trust or other legal obligation or of income, being voluntary contributons received by such trust or institution, to furnish in certain cases a return of income in such form and verified in such manner and setting forth such particulars as may be prescribed by rules.

Under the amendment to section 139(8)(a), proposed in sub-clause (d) of this clause, the Income-tax Officer may, in such cases and under such circumstances as may be prescribed by rules, reduce or waive the interest payable by an assessee who has not furnished the return by the due date.

Clause 41 seeks to amend section 295 of the Income-tax Act so as to take power for the Central Board of Direct Taxes to make rules regarding the circumstances in which, the conditions subject to which and the manner in which, the Appellate Assistant Commissioner may permit an

appellant to produce evidence which he did not produce or which he was not allowed to produce before the Income-tax Officer. Clauses 51, 56 and 68 seek to make corresponding amendments in the rule-making provision contained in section 46 of the Wealth-tax Act, section 46 of the Gift-tax Act and section 25 of the Companies (Profits) Surtax Act, respectively.

Clause 45 (a) (ii) seeks to amend section 5 (1) of the Wealth-tax Act (relating to exemption from wealth-tax of certain assets) so as to exempt (i) the value, as determined in the manner prescribed by rules, of assets forming part of an industrial undertaking belonging to an assessee, and (ii) the value as so determined of the interest of the assessee in the assets forming part of an industrial undertaking belonging to a firm or an association of persons of which the assessee is a partner or, as the case may be, a member. As the value has to be determined having regard to the nature of the assets, it is considered that these pertain to matters of detail.

As the matters in respect of which provisions may be made by rules or notifications under the aforementioned provisions pertain to matters of detail or procedure, the delegation of legislative power is of a normal character.

INDIRECT TAXES

Clause 62(1) of the Bill enables the Central Government to levy by notification a regulatory duty of customs at such rate as may be specified in the notification, but subject to the maximum laid down in the said clause. This power will be exercised with a view to regulating or bringing greater economy in imports. Similarly clause 65(1) of the Bill enables the Central Government to levy by notification a regulatory duty of excise at such rate as may be specified in the notification, but subject to the maximum laid down in the said clause. This power will be exercised with a view to regulating or bringing greater economy in consumption. The exercise of the powers conferred by clauses 62(1) and 65(1) will depend upon the circumstances prevailing at the time of the notification and accordingly power is vested only in the Central Government who, while issuing the notification, will have regard to those circumstances. The delegation of legislative power is thus of normal character.

S. L. SHAKDHER, Secretary.